

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2017

Independent Auditor's Report  
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*

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds - Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	2



# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Maynard School District No. 15 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 Maynard School District No. 15 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

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

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

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2017, 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, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

### ***Other Matters***

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purpose of additional analysis and are not a required part of the regulatory basis financial statements.

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

### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 28, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe that scope or our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



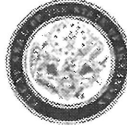
Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

Little Rock, Arkansas  
June 28, 2018  
EDSD32617



# Arkansas

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



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

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

## 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

Maynard School District No. 15 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 Maynard School District No. 15 (the "District"), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated June 28, 2018. We have issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

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

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

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

#### Compliance and Other Matters

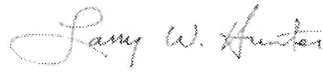
As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance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



**Purpose of this Report**

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

ARKANSAS LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 28, 2018

MAYNARD SCHOOL DISTRICT NO. 15  
 RANDOLPH COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2017

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 641,237	\$ 14,037	\$ 1,623,423	\$ 40,165
Accounts receivable	14,159	68,246	281,942	684
 TOTAL ASSETS	 \$ 655,396	 \$ 82,283	 \$ 1,905,365	 \$ 40,849
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 24,936	\$ 3,375	\$ 316,618	\$ 4,045
Due student groups				36,804
Total Liabilities	24,936	3,375	316,618	40,849
 Fund Balances:				
Restricted	100,391	78,908	962,639	
Assigned	3,432		626,108	
Unassigned	526,637			
Total Fund Balances	630,460	78,908	1,588,747	
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 655,396	 \$ 82,283	 \$ 1,905,365	 \$ 40,849

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

MAYNARD SCHOOL DISTRICT NO. 15  
 RANDOLPH COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

Exhibit B

	Major		
	General	Special Revenue	Other Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 750,295		\$ 157,127
State assistance	2,826,045	\$ 2,114	1,284,038
Federal assistance		681,863	
Activity revenues	23,939		
Meal sales		81,967	
Investment income	14,597		57
Other revenues	30,658		
<b>TOTAL REVENUES</b>	<b>3,645,534</b>	<b>765,944</b>	<b>1,441,222</b>
EXPENDITURES			
Regular programs	1,287,592	30,444	
Special education	271,756	121,491	
Career education programs	229,919		
Compensatory education programs	19,452	185,646	
Other instructional programs	197,964		
Student support services	186,948	12,524	
Instructional staff support services	86,354	44,809	58,325
General administration support services	132,278	21,538	
School administration support services	205,489	278	
Central services support services	129,411		
Operation and maintenance of plant services	342,487		
Student transportation services	198,427		
Other support services	6,395		
Food services operations	76,939	320,217	
Facilities acquisition and construction services	8,000		2,186,047
Activity expenditures	25,866		
Debt Service:			
Principal retirement			68,749
Interest and fiscal charges			62,244
Net debt issuance costs			48,877
<b>TOTAL EXPENDITURES</b>	<b>3,405,277</b>	<b>736,947</b>	<b>2,424,242</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>240,257</b>	<b>28,997</b>	<b>(983,020)</b>
OTHER FINANCING SOURCES (USES)			
Proceeds from construction bond issue			1,255,000
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>240,257</b>	<b>28,997</b>	<b>271,980</b>
<b>FUND BALANCES - JULY 1</b>	<b>390,203</b>	<b>49,911</b>	<b>1,316,767</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 630,460</b>	<b>\$ 78,908</b>	<b>\$ 1,588,747</b>

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

## MAYNARD SCHOOL DISTRICT NO. 15

## RANDOLPH 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, 2017

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 681,243	\$ 750,295	\$ 69,052			
State assistance	2,614,789	2,826,045	211,256	\$ 2,050	\$ 2,114	\$ 64
Federal assistance				735,668	681,863	(53,805)
Activity revenues		23,939	23,939			
Meal sales				74,200	81,967	7,767
Investment income	1,500	14,597	13,097			
Other revenues	42,654	30,658	(11,996)			
TOTAL REVENUES	3,340,186	3,645,534	305,348	811,918	765,944	(45,974)
EXPENDITURES						
Regular programs	1,307,133	1,287,592	19,541		30,444	(30,444)
Special education	307,117	271,756	35,361	139,524	121,491	18,033
Career education programs	181,653	229,919	(48,266)			
Compensatory education programs	9,819	19,452	(9,633)	215,851	185,646	30,205
Other instructional programs	198,485	197,964	521			
Student support services	192,738	186,948	5,790	10,000	12,524	(2,524)
Instructional staff support services	123,187	86,354	36,833	114,917	44,809	70,108
General administration support services	140,400	132,278	8,122	21,299	21,538	(239)
School administration support services	205,955	205,489	466		278	(278)
Central services support services	135,856	129,411	6,445			
Operation and maintenance of plant services	379,945	342,487	37,458			
Student transportation services	222,389	198,427	23,962			
Other support services	6,000	6,395	(395)			
Food services operations	72,200	76,939	(4,739)	298,727	320,217	(21,490)
Community services operations				5,500		5,500
Facilities acquisition and construction services	8,000	8,000				
Activity expenditures		25,866	(25,866)			
TOTAL EXPENDITURES	3,490,877	3,405,277	85,600	805,818	736,947	68,871

MAYNARD SCHOOL DISTRICT NO. 15  
 RANDOLPH 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, 2017

Exhibit C

	General		Variance	Special Revenue		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (150,691)	\$ 240,257	\$ 390,948	\$ 6,100	\$ 28,997	\$ 22,897
OTHER FINANCING SOURCES (USES)						
Transfers in	4,615,742		(4,615,742)	30,445		(30,445)
Transfers out	(4,615,742)		4,615,742	(30,445)		30,445
TOTAL OTHER FINANCING SOURCES (USES)	0		0	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(150,691)	240,257	390,948	6,100	28,997	22,897
FUND BALANCES - JULY 1	440,028	390,203	(49,825)	49,911	49,911	
FUND BALANCES - JUNE 30	\$ 289,337	\$ 630,460	\$ 341,123	\$ 56,011	\$ 78,908	\$ 22,897

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





MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Board of Education, a five member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Maynard 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).

**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.

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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	15-20
Buildings	15-50
Equipment	5-25

F. Property Taxes

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

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2016 calendar year taxes collected by June 30, 2017 and 16 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, 2017 equaled or exceeded the 16 percent calculation.

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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. 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.

J. Minimum Fund Balance Policies

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

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>2,068,862</u>	<u>2,142,879</u>
Total Deposits	<u><u>\$ 2,318,862</u></u>	<u><u>\$ 2,392,879</u></u>

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2017 were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
State assistance	\$ 14,039		\$ 281,942	
Federal assistance		\$ 68,071		
Activity fund accounts				\$ 684
Other	120	175		
Totals	<u>\$ 14,159</u>	<u>\$ 68,246</u>	<u>\$ 281,942</u>	<u>\$ 684</u>

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2017:

A. Construction Contract

Project Name	Completion Date	Contract Balance
Elementary School Building	April 12, 2018	\$ 1,535,654

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, 2017	Maturities To June 30, 2017
10/20/10	10/20/17	3.25%	\$ 76,378	\$ 11,986	\$ 64,392
11/1/14	6/30/44	1 - 3.55%	1,670,000	1,605,000	65,000
8/4/15	10/1/19	3.96%	72,859	55,717	17,142
9/29/16	2/1/47	1 - 2.75%	1,255,000	1,255,000	
Totals			<u>\$ 3,074,237</u>	<u>\$ 2,927,703</u>	<u>\$ 146,534</u>

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**4: COMMITMENTS (Continued)**

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

Changes in Long-term Debt

	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
Bonds payable	\$ 1,645,000	\$ 1,255,000	\$ 40,000	\$ 2,860,000
Postdated warrants	23,593		11,607	11,986
Capital leases	72,859		17,142	55,717
<b>Totals</b>	<b>\$ 1,741,452</b>	<b>\$ 1,255,000</b>	<b>\$ 68,749</b>	<b>\$ 2,927,703</b>

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2018	\$ 99,827	\$ 78,878	\$ 178,705
2019	88,563	77,067	165,630
2020	94,313	75,338	169,651
2021	75,000	73,493	148,493
2022	80,000	72,427	152,427
2023-2027	415,000	339,922	754,922
2028-2032	470,000	290,650	760,650
2033-2037	540,000	219,367	759,367
2038-2042	620,000	129,155	749,155
2043-2047	445,000	32,290	477,290
<b>Totals</b>	<b>\$ 2,927,703</b>	<b>\$ 1,388,587</b>	<b>\$ 4,316,290</b>

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2017:

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment	\$ 92,951	\$ 23,130	\$ 69,821

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**4: COMMITMENTS (Continued)**

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

The present value of the net minimum lease payments is as follows at June 30, 2017:

Total Minimum Lease Payments	\$ 60,278
Less: Amount Representing Interest	<u>4,561</u>
Total Present Value of Net Minimum Lease Payments	<u><u>\$ 55,717</u></u>

**Security for Debt Payments**

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

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2017 were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	Major		Other Aggregate	
	General	Special Revenue		
Vendor payables	\$ 24,913	\$ 3,375	\$ 316,618	\$ 4,045
Payroll withholdings and matching	23			
Totals	\$ 24,936	\$ 3,375	\$ 316,618	\$ 4,045

**6: 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).

MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**6: RETIREMENT PLAN (Continued)**

**Funding Policy**

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2017 were \$355,891, 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, 2016 (actuarial valuation date and measurement date) was \$3,723,187.

**7: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$2,925,000 issued from November 1, 2014 to September 29, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$4,243,638, payable through February 1, 2047. Principal and interest paid for the current year and total property taxes pledged for debt service were \$98,102 and \$253,659, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 38.67 percent.

**8: 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 (error and omissions) and student accident 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.



MAYNARD SCHOOL DISTRICT NO. 15  
 RANDOLPH COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

**9: 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 \$96,075 for the year ended June 30, 2017.

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Restricted for:			
Alternative learning environment	\$ 736		
English-language learners	331		
Professional development	2,889		
Capital projects			\$ 962,639
Child nutrition programs		\$ 38,483	
Debt service	4,896		
Medical services		37,085	
Special education programs	45,249		
Other purposes	46,290	3,340	
Total Restricted	<u>100,391</u>	<u>78,908</u>	<u>962,639</u>
Assigned to:			
Capital projects			300,000
Debt service			326,108
Student activities	<u>3,432</u>		
Total Assigned	<u>3,432</u>		<u>626,108</u>
Unassigned	<u>526,637</u>		
Totals	<u>\$ 630,460</u>	<u>\$ 78,908</u>	<u>\$ 1,588,747</u>

**11: FISCAL DISTRESS STATUS**

The District was classified in fiscal distress by the State Board of Education on May 14, 2015. The District, in conjunction with the Arkansas Department of Education, adopted a plan to implement effective cost reduction measures. On September 14, 2017, the State Board of Education removed the District from fiscal distress status.

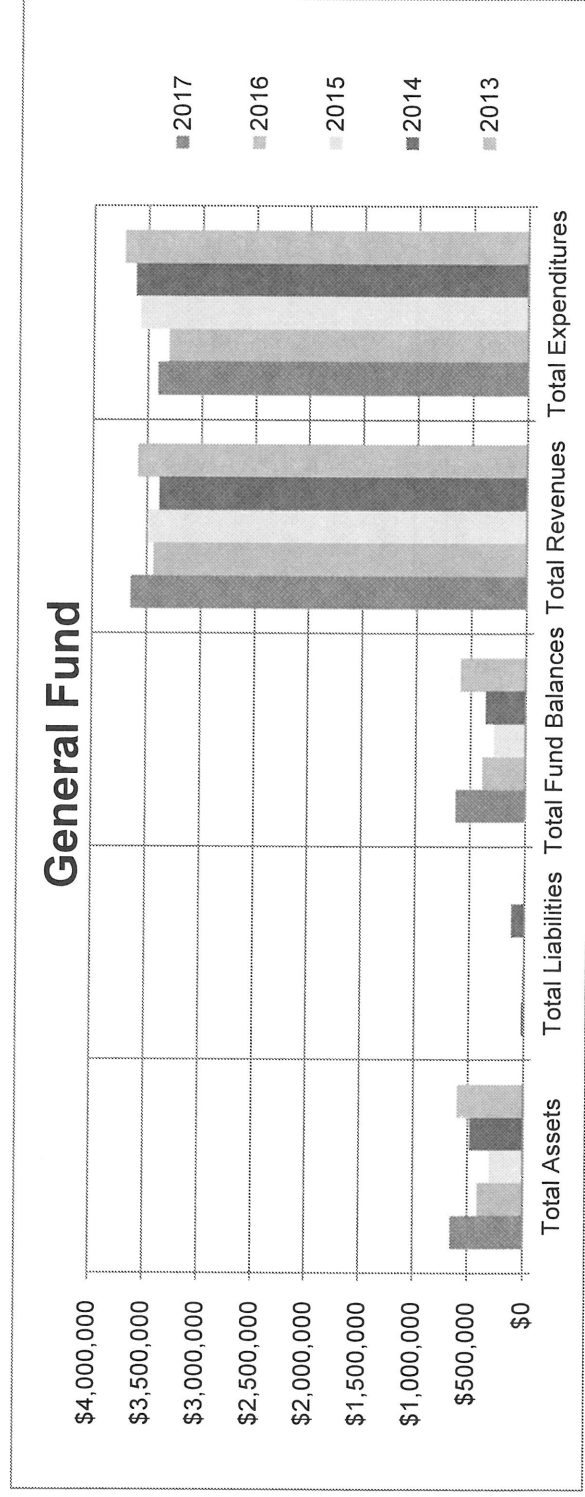
MAYNARD SCHOOL DISTRICT NO. 15  
 RANDOLPH COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2017  
 (Unaudited)

Schedule 1

	Balance June 30, 2017
<i>Nondepreciable capital assets:</i>	
Land	\$ 38,507
Construction in progress	836,770
Total nondepreciable capital assets	<u>875,277</u>
<i>Depreciable capital assets:</i>	
Buildings	4,804,941
Improvements/infrastructure	38,043
Equipment	1,324,888
Total depreciable capital assets	<u>6,167,872</u>
Less accumulated depreciation for:	
Buildings	1,175,296
Improvements/infrastructure	34,282
Equipment	892,555
Total accumulated depreciation	<u>2,102,133</u>
Total depreciable capital assets, net	<u>4,065,739</u>
Capital assets, net	<u><u>\$ 4,941,016</u></u>

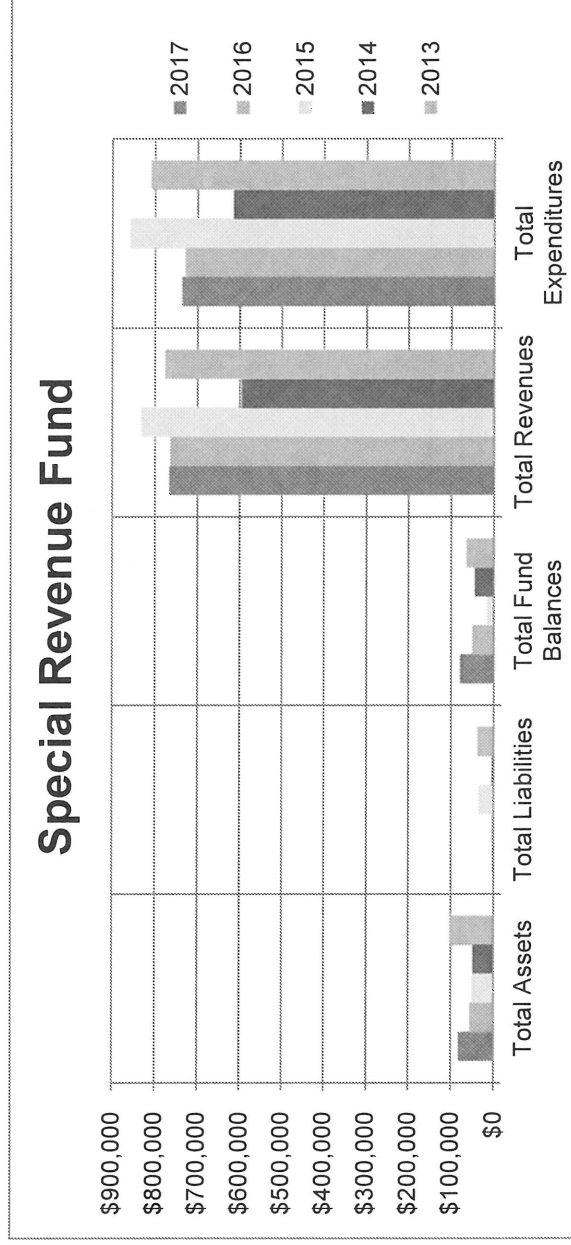
MAYNARD SCHOOL DISTRICT NO. 15  
 RANDOLPH COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017  
 (Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets	\$ 655,396	\$ 407,943	\$ 295,801	\$ 480,682	\$ 598,356
Total Liabilities	24,936	17,740	8,375	118,127	10,544
Total Fund Balances	630,460	390,203	287,426	362,555	587,812
Total Revenues	3,645,534	3,436,421	3,490,714	3,389,052	3,583,181
Total Expenditures	3,405,277	3,306,399	3,565,843	3,614,309	3,715,865
Total Other Financing Sources (Uses)		(27,245)			



MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets	\$ 82,283	\$ 54,840	\$ 50,249	\$ 48,607	\$ 100,850
Total Liabilities	3,375	4,929	34,275	4,434	37,172
Total Fund Balances	78,908	49,911	15,974	44,173	63,678
Total Revenues	765,944	762,805	830,882	595,906	775,979
Total Expenditures	736,947	728,868	859,081	615,411	809,572
Total Other Financing Sources (Uses)					



MAYNARD SCHOOL DISTRICT NO. 15  
RANDOLPH COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017  
(Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2017	2016	2015	2014	2013
Total Assets	\$ 1,905,365	\$ 1,323,247	\$ 2,111,008	\$ 579,399	\$ 491,617
Total Liabilities	316,618	6,480	7,018	14	
Total Fund Balances	1,588,747	1,316,767	2,103,990	579,385	491,617
Total Revenues	1,441,222	1,050,953	232,990	135,879	124,134
Total Expenditures	2,424,242	1,938,280	217,230	48,111	46,247
Total Other Financing Sources (Uses)	1,255,000	100,104	1,508,845		

