

Harrisburg School District No. 6

Poinsett County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE



Arkansas



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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

December 5, 2016

Harrisburg School District
Superintendent and Board Members
Harrisburg, Arkansas

Re: Harrisburg School District of Poinsett County
June 30, 2016

The Legislative Joint Auditing Committee, at its December 2, 2016 meeting filed the above referenced report.

If you should have any questions or need any assistance, please feel free to contact us so that we may schedule one of our personnel to visit with you.

LEGISLATIVE JOINT AUDITING COMMITTEE

A handwritten signature in black ink, appearing to read "Jimmy Hickey, Jr.", written over a horizontal line.

Jimmy Hickey, Jr.
Senate Co-chairman

A handwritten signature in black ink, appearing to read "Mary Broadaway", written in a cursive style.

Mary Broadaway
House Co-chairman

JH;MB:aw
EDSD29816

cc: Greg Rogers
Assistant Commissioner for Fiscal
and Administrative Services

Arkansas



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LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

TO: Auditee

FROM: Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

DATE: November 22, 2016

SUBJECT: Legislative Joint Auditing Committee Review of:

Harrisburg School District of Poinsett County
June 30, 2016

The Standing Committee on Educational Institutions will review this report at **1:30 p.m., on Thursday, December 1, 2016, in Conference Room 138**, State Capitol Building, Little Rock, Arkansas.

If you should have any questions or comments regarding this matter, please feel free to contact us.

Arkansas

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Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair



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House Chair
Rep. Sue Scott
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

November 22, 2016

To the Superintendent and School Board Members
Harrisburg School District (District)

We have audited the regulatory basis financial statements of each major governmental fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2016, and have issued our report thereon dated November 10, 2016. Ark. Code Ann. § 6-1-101(d) requires the District's board or governing body to review the audit report at the first regularly scheduled meeting following receipt of the audit report if the audit report is received by the board or governing party prior to 10 days before the regularly scheduled meeting. If the audit report is received by the board or governing body within 10 days before a regularly scheduled meeting, the audit report may be reviewed at the next regularly scheduled meeting after the 10 day period. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, 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) as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you dated September 21, 2016. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the Management Representation Letter dated November 10, 2016.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occurred in the normal course of our professional relationship.

Other Matters

We were engaged to report on the Schedule of Expenditures of Federal Awards, which accompanies the financial statements but is not required supplementary information. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information is in conformity with the basis of accounting prescribed by law, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

We were not engaged to report on the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years, which accompany the financial statements but are not required supplementary information. Such information has 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 it.

Restriction on Use

This information is intended solely for the information and use of the School Board Members and District management and is not intended to be, and should not be, used by anyone other than these specified parties.

ARKANSAS LEGISLATIVE AUDIT



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

HARRISBURG SCHOOL DISTRICT NO. 6
POINSETT COUNTY, ARKANSAS
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Arkansas



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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Harrisburg School District No. 6 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 Harrisburg School District No. 6 (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

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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

Harrisburg School District No. 6 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 Harrisburg School District No. 6 (the "District"), as of and for the year ended June 30, 2016, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated November 10, 2016. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2016, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Arkansas



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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

Harrisburg School District No. 6 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Harrisburg School District No. 6 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2016. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

HARRISBURG SCHOOL DISTRICT NO. 6
 POINSETT COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2016

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 917,687	\$ 350,595	\$ 910	\$ 43,427
Investments	2,034,146			
Accounts receivable	133,856	171,751		
TOTAL ASSETS	\$ 3,085,689	\$ 522,346	\$ 910	\$ 43,427
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 59,619	\$ 2,560		\$ 106
Due student groups				43,321
Total Liabilities	59,619	2,560		43,427
Fund Balances:				
Restricted	104,946	521,005	\$ 910	
Assigned	53,934			
Unassigned	2,867,190	(1,219)		
Total Fund Balances	3,026,070	519,786	910	
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,085,689	\$ 522,346	\$ 910	\$ 43,427

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

HARRISBURG SCHOOL DISTRICT NO. 6
POINSETT COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 3,774,933		
State assistance	6,761,777	\$ 4,742	
Federal assistance		1,751,665	
Activity revenues	173,866		
Meal sales		76,509	
Investment income	13,714		
Other revenues	581,984	1,797	
TOTAL REVENUES	11,306,274	1,834,713	
EXPENDITURES			
Regular programs	4,972,209	86,223	
Special education	768,809	322,100	
Career education programs	180,986		
Compensatory education programs	91,257	87,728	
Other instructional programs	282,320	56,943	
Student support services	613,658	49,013	
Instructional staff support services	944,217	464,763	
General administration support services	446,328	42,209	
School administration support services	498,825	9,124	
Central services support services	284,677		
Operation and maintenance of plant services	1,373,902		
Student transportation services	519,552	6,509	
Other support services	60,283		
Food services operations	68,026	660,784	
Community services operations	1,889	47,577	
Facilities acquisition and construction services	371,088		
Activity expenditures	168,415		
Debt Service:			
Principal retirement	23,781		\$ 315,000
Interest and fiscal charges	7,081		184,967
TOTAL EXPENDITURES	11,677,303	1,832,973	499,967
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(371,029)	1,740	(499,967)
OTHER FINANCING SOURCES (USES)			
Transfers in			500,072
Transfers out	(500,072)		
Proceeds from installment contract	395,527		
TOTAL OTHER FINANCING SOURCES (USES)	(104,545)		500,072
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(475,574)	1,740	105
FUND BALANCES - JULY 1	3,501,644	518,046	805
FUND BALANCES - JUNE 30	\$ 3,026,070	\$ 519,786	\$ 910

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

HARRISBURG SCHOOL DISTRICT NO. 6
 POINSETT COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016

	General			Special Revenue			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 390,632	\$ (371,029)	\$ (761,661)	\$ (352,495)	\$ 1,740	\$ 354,235	
OTHER FINANCING SOURCES (USES)							
Transfers in	14,327,322		(14,327,322)				
Transfers out	(14,830,801)	(500,072)	14,330,729				
Proceeds from installment contract		395,527	395,527				
TOTAL OTHER FINANCING SOURCES (USES)	(503,479)	(104,545)	398,934				
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(112,847)	(475,574)	(362,727)	(352,495)	1,740	354,235	
FUND BALANCES - JULY 1	3,604,181	3,501,644	(102,537)	429,964	518,046	88,082	
FUND BALANCES - JUNE 30	\$ 3,491,334	\$ 3,026,070	\$ (465,264)	\$ 77,469	\$ 519,786	\$ 442,317	

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

HARRISBURG SCHOOL DISTRICT NO. 6
POINSETT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

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

HARRISBURG SCHOOL DISTRICT NO. 6
POINSETT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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

G. 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.

HARRISBURG SCHOOL DISTRICT NO. 6
POINSETT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

4: COMMITMENTS

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
LED lighting upgrade project	August 15, 2016	\$ 390,918

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, 2016	Maturities To June 30, 2016
11/15/06	12/1/18	3.6%	\$ 135,000	\$ 45,000	\$ 90,000
7/15/08	12/1/27	3 - 4%	1,230,000	835,000	395,000
11/1/10	6/1/28	1.23 - 3.75%	1,630,000	1,240,000	390,000
11/1/12	2/1/34	1.5 - 3%	695,000	615,000	80,000
11/1/12	2/1/34	1 - 2.65%	4,355,000	4,015,000	340,000
12/10/14	12/10/16	5.66%	42,229	21,696	20,533
5/17/16	5/17/24	2.95%	395,527	395,527	
Totals			\$ 8,482,756	\$ 7,167,223	\$ 1,315,533

Changes in Long-term Debt

	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
Bonds payable	\$ 7,065,000		\$ 315,000	\$ 6,750,000
Capital leases	42,229		20,533	21,696
Installment contracts	3,248	\$ 395,527	3,248	395,527
Totals	\$ 7,110,477	\$ 395,527	\$ 338,781	\$ 7,167,223

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2017	\$ 396,220	\$ 189,012	\$ 585,232
2018	390,847	179,795	570,642
2019	392,210	170,955	563,165
2020	388,613	161,482	550,095
2021	400,057	151,873	551,930
2022-2026	2,069,276	593,831	2,663,107
2027-2031	1,935,000	309,816	2,244,816
2032-2034	1,195,000	64,804	1,259,804
Totals	\$ 7,167,223	\$ 1,821,568	\$ 8,988,791

HARRISBURG SCHOOL DISTRICT NO. 6
POINSETT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 or by calling 1-800-666-2877.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2016 were \$1,134,456, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2015 (actuarial valuation date and measurement date) was \$8,628,156.

8: DEFICIT FUND BALANCES

The deficit unassigned fund balance of \$1,219 in the special revenue fund in the table below (Note 12) pertains to the federal Twenty-First Century Community Learning Centers program. This temporary deficit was caused by the recognition of minor accounts payable at year-end.

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$8,045,000 issued from November 15, 2006 to November 1, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$8,518,938, payable through February 1, 2034. Principal and interest paid for the current year and total property taxes pledged for debt service were \$497,716 and \$1,116,529, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 44.58 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 board liability, student accidents, and business trip accidental death and dismemberment coverage.

HARRISBURG SCHOOL DISTRICT NO. 6
 POINSETT COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

Schedule 1

	Balance June 30, 2016
<i>Nondepreciable capital assets:</i>	
Land	\$ 151,552
 <i>Depreciable capital assets:</i>	
Buildings	13,766,191
Improvements/infrastructure	1,533,658
Equipment	3,596,995
Total depreciable capital assets	18,896,844
 <i>Less accumulated depreciation for:</i>	
Buildings	5,620,392
Improvements/infrastructure	514,413
Equipment	2,696,371
Total accumulated depreciation	8,831,176
Total depreciable capital assets, net	10,065,668
Capital assets, net	\$ 10,217,220

HARRISBURG SCHOOL DISTRICT NO. 6
 POINSETT COUNTY, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2016

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

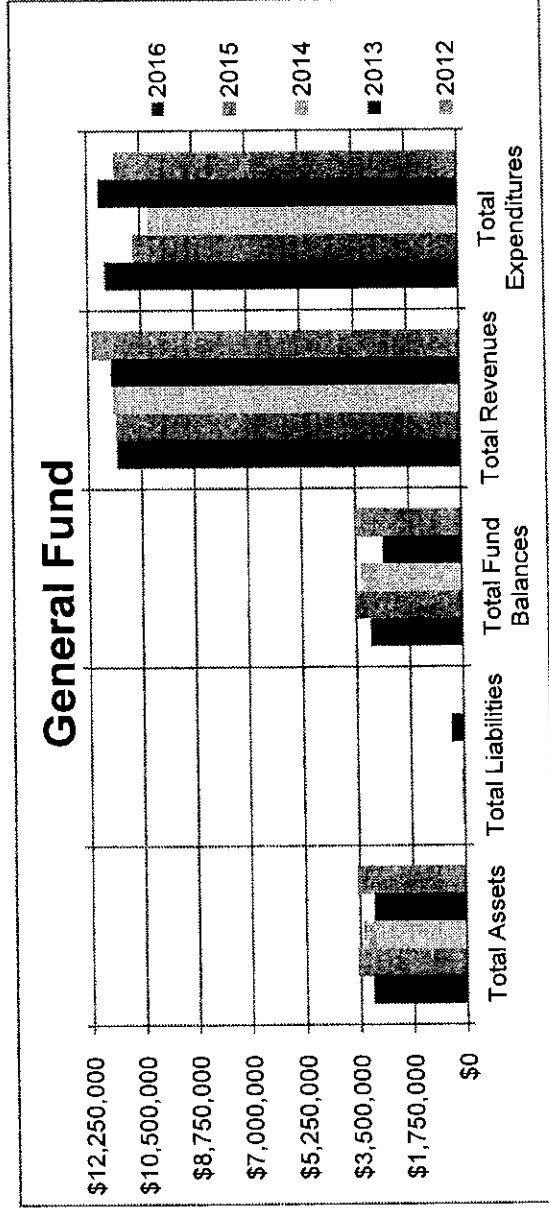
No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

HARRISBURG SCHOOL DISTRICT NO. 6
 POINSETT COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

	Year Ended June 30,				
	2016	2015	2014	2013	2012
General Fund					
Total Assets	\$ 3,085,689	\$ 3,583,503	\$ 3,356,770	\$ 3,029,061	\$ 3,557,933
Total Liabilities	59,619	81,859	54,514	405,182	43,324
Total Fund Balances	3,026,070	3,501,644	3,302,256	2,623,879	3,514,609
Total Revenues	11,306,274	11,319,224	11,401,379	11,472,967	12,102,595
Total Expenditures	11,677,303	10,714,324	10,215,513	11,870,029	11,328,879
Total Other Financing Sources (Uses)	(104,545)	(405,512)	(507,489)	(493,668)	(396,561)



HARRISBURG SCHOOL DISTRICT NO. 6
 POINSETT COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

	Year Ended June 30,				
	2016	2015	2014	2013	2012
Other Aggregate Funds					
Total Assets	\$ 910	\$ 805	\$ 53,418	\$ 338,066	\$ 22,998
Total Liabilities					
Total Fund Balances	910	805	53,418	338,066	22,998
Total Revenues			397,312	338,066	165,827
Total Expenditures	499,967	500,354	1,207,695	524,573	554,804
Total Other Financing Sources (Uses)	500,072	447,741	525,735	501,575	396,561

