

**Little Rock School District**

**Pulaski County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2016**

LEGISLATIVE JOINT AUDITING COMMITTEE



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2016

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*  
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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 Expenditures of Federal Awards	2
Schedule of Findings and Questioned Costs	3
Summary Schedule of Prior Audit Findings	4
Schedule of Selected Information for the Last Two Years - Regulatory Basis (Unaudited)	5

# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Little Rock School District and Arkansas Department of Education  
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 Little Rock School District (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.

**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, 2016, or the changes in financial position for the year then ended.

**Opinion 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, 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 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 Two Years - Regulatory Basis are presented for 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 Two 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 28, 2017 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 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 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  
Legislative Auditor

Little Rock, Arkansas  
February 28, 2017  
EDSD32116

# Arkansas

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



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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS*

### INDEPENDENT AUDITOR'S REPORT

Little Rock School District and Arkansas Department of Education  
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 Little Rock School District (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 February 28, 2017. 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.

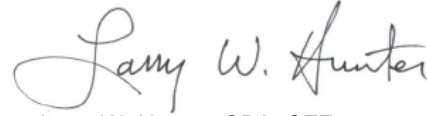
#### Compliance and Other Matters

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*.

**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 result 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

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

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 28, 2017

# Arkansas

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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

Little Rock School District and Arkansas Department of Education  
Legislative Joint Auditing Committee

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

We have audited the Little Rock School District (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**

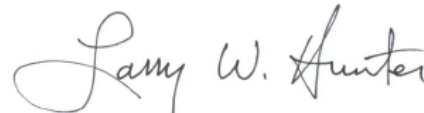
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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.

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

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

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 28, 2017



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2016

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 64,463,870		\$ 5,953,740	\$ 1,817,811
Investments				2,363,288
Accounts receivable	1,221,617	\$ 4,935,001		
Due from other funds	2,485,567			
Deposit with paying agent			1,245,344	
<b>TOTAL ASSETS</b>	<b>\$ 68,171,054</b>	<b>\$ 4,935,001</b>	<b>\$ 7,199,084</b>	<b>\$ 4,181,099</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 25,239,530	\$ 1,168,736	\$ 1,415,981	
Due student groups				\$ 749,491
Due to other funds		2,485,567		
<b>Total Liabilities</b>	<b>25,239,530</b>	<b>3,654,303</b>	<b>1,415,981</b>	<b>749,491</b>
<b>Fund Balances:</b>				
Nonspendable				2,363,288
Restricted	40,456,418	1,280,698	5,769,432	1,068,320
Assigned	2,292,749		13,671	
Unassigned	182,357			
<b>Total Fund Balances</b>	<b>42,931,524</b>	<b>1,280,698</b>	<b>5,783,103</b>	<b>3,431,608</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 68,171,054</b>	<b>\$ 4,935,001</b>	<b>\$ 7,199,084</b>	<b>\$ 4,181,099</b>

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

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 151,709,284		\$ 6,687,254
State assistance	136,818,310	\$ 82,638	
Federal assistance		36,889,451	
Activity revenues	4,060,248		
Meal sales		2,072,724	
Investment income	109,475	2,784	49,037
Other revenues	4,280,229	11,676	1,505,256
<b>TOTAL REVENUES</b>	<b>296,977,546</b>	<b>39,059,273</b>	<b>8,241,547</b>
<b>EXPENDITURES</b>			
Regular programs	109,238,018	1,619,012	
Special education	19,977,646	4,153,721	
Career education programs	6,667,952	358,618	
Adult/continuing education program	867,897	152,323	
Compensatory education programs	4,847,108	4,563,274	
Other instructional programs	14,392,583	193,920	
Student support services	12,487,660	3,349,343	
Instructional staff support services	18,043,441	7,918,189	3,698,089
General administration support services	3,564,730	579,062	
School administration support services	16,908,088		
Central services support services	7,783,887		605,913
Operation and maintenance of plant services	28,899,152		
Student transportation services	16,100,755	299,064	
Other support services	369,580		
Food services operations	1,165,154	13,721,058	
Community services operations	36,930	290,524	
Facilities acquisition and construction services	11,654,655	280,000	6,062,289
Non-programmed costs	5,030	462,858	
Activity expenditures	3,939,025		
Debt Service:			
Principal retirement	460,544		5,220,000
Interest and fiscal charges	26,722		4,513,074
<b>TOTAL EXPENDITURES</b>	<b>277,436,557</b>	<b>37,940,966</b>	<b>20,099,365</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>19,540,989</b>	<b>1,118,307</b>	<b>(11,857,818)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		93,808	14,669,354
Transfers out	(14,763,162)		
Proceeds from refunding bond issues			144,735,000
Net bond issuance costs			(1,718,366)
Payments to refunding bond escrow agents			(142,682,804)
Value of capital lease	518,000		
Compensation for loss of capital assets	108,715		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(14,136,447)</b>	<b>93,808</b>	<b>15,003,184</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>5,404,542</b>	<b>1,212,115</b>	<b>3,145,366</b>
<b>FUND BALANCES - JULY 1</b>	<b>37,526,982</b>	<b>68,583</b>	<b>2,637,737</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 42,931,524</b>	<b>\$ 1,280,698</b>	<b>\$ 5,783,103</b>

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

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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

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)	\$ 109,178,235	\$ 151,709,284	\$ 42,531,049			
State assistance	136,450,483	136,818,310	367,827	\$ 82,235	\$ 82,638	\$ 403
Federal assistance				38,393,314	36,889,451	(1,503,863)
Activity revenues	5,338,700	4,060,248	(1,278,452)			
Meal sales				2,880,592	2,072,724	(807,868)
Investment income	77,010	109,475	32,465	2,258	2,784	526
Other revenues	2,630,621	4,280,229	1,649,608	34,625	11,676	(22,949)
<b>TOTAL REVENUES</b>	<b>253,675,049</b>	<b>296,977,546</b>	<b>43,302,497</b>	<b>41,393,024</b>	<b>39,059,273</b>	<b>(2,333,751)</b>
<b>EXPENDITURES</b>						
Regular programs	112,475,580	109,238,018	3,237,562	1,983,517	1,619,012	364,505
Special education	19,919,344	19,977,646	(58,302)	4,722,446	4,153,721	568,725
Career education programs	6,903,085	6,667,952	235,133	347,497	358,618	(11,121)
Adult/continuing education program	970,000	867,897	102,103	165,000	152,323	12,677
Compensatory education programs	4,644,987	4,847,108	(202,121)	4,592,492	4,563,274	29,218
Other instructional programs	14,831,257	14,392,583	438,674	161,056	193,920	(32,864)
Student support services	13,035,701	12,487,660	548,041	2,712,780	3,349,343	(636,563)
Instructional staff support services	17,972,467	18,043,441	(70,974)	10,453,712	7,918,189	2,535,523
General administration support services	4,134,695	3,564,730	569,965	1,013,184	579,062	434,122
School administration support services	17,639,946	16,908,088	731,858			
Central services support services	7,791,210	7,783,887	7,323			
Operation and maintenance of plant services	28,651,490	28,899,152	(247,662)	3,000		3,000
Student transportation services	16,553,297	16,100,755	452,542	331,463	299,064	32,399
Other support services	320,300	369,580	(49,280)			
Food services operations	1,425,000	1,165,154	259,846	14,629,598	13,721,058	908,540
Community services operations	36,679	36,930	(251)	175,772	290,524	(114,752)
Facilities acquisition and construction services	25,000	11,654,655	(11,629,655)		280,000	(280,000)
Non-programmed costs	9,010	5,030	3,980	492,620	462,858	29,762
Activity expenditures	5,357,526	3,939,025	1,418,501			
Debt Service:						
Principal retirement		460,544	(460,544)			
Interest and fiscal charges		26,722	(26,722)			
<b>TOTAL EXPENDITURES</b>	<b>272,696,574</b>	<b>277,436,557</b>	<b>(4,739,983)</b>	<b>41,784,137</b>	<b>37,940,966</b>	<b>3,843,171</b>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (19,021,525)	\$ 19,540,989	\$ 38,562,514	\$ (391,113)	\$ 1,118,307	\$ 1,509,420
OTHER FINANCING SOURCES (USES)						
Transfers in	153,204,155		(153,204,155)	150,000	93,808	(56,192)
Transfers out	(125,993,486)	(14,763,162)	111,230,324			
Value of capital lease		518,000	518,000			
Compensation for loss of capital assets		108,715	108,715			
TOTAL OTHER FINANCING SOURCES (USES)	27,210,669	(14,136,447)	(41,347,116)	150,000	93,808	(56,192)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,189,144	5,404,542	(2,784,602)	(241,113)	1,212,115	1,453,228
FUND BALANCES - JULY 1	39,861,053	37,526,982	(2,334,071)	667,135	68,583	(598,552)
FUND BALANCES - JUNE 30	\$ 48,050,197	\$ 42,931,524	\$ (5,118,673)	\$ 426,022	\$ 1,280,698	\$ 854,676

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

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

On January 28, 2015, the Arkansas Department of Education assumed control of the Little Rock School District School District (District) and dissolved the local school board. 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.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**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 the financial statements.

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

Asset Class	Estimated Useful Life in Years
Buildings and Improvements	10-50
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 2015 calendar year taxes collected by June 30, 2016 and 20 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, 2016 equaled or exceeded the 20 percent calculation.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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. Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

H. 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.

I. 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.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

J. Stabilization Arrangements

The Arkansas Department of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

K. Minimum Fund Balance Policies

The Arkansas Department of Education has not formally adopted a minimum fund balance policy.

L. 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 Arkansas Department 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 balance 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.

M. 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)	\$ 322,000	\$ 322,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	71,913,171	72,718,205
Total Deposits	\$ 72,235,171	\$ 73,040,205

The above total deposits do not include cash on hand of \$250.



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**3: INVESTMENTS**

At June 30, 2016, the District's investments consisted of Chevron Corporation common stock with a fair value of \$2,363,288. The earnings from this stock are to be used for scholarships. The value of the stock is reported as nonspendable within the fiduciary fund types.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer. All investments reported in the District's fiduciary fund types consist of Chevron Corporation stock, a gift from Winthrop Rockefeller.

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

Level 1 - Quoted prices in active markets for identical assets

Level 2 - Significant other observable inputs

Level 3 - Significant unobservable inputs

The above investments are classified in Level 1. There were no investments classified in Levels 2 or 3.

**4: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2016 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 544,912	
Federal assistance		\$ 4,935,001
Other	676,705	
Totals	<u>\$1,221,617</u>	<u>\$4,935,001</u>

**5: COMMITMENTS**

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

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Central High School restroom renovations	8/15/2016	\$ 366,299
Central High School grand entrance restoration	9/1/2016	25,528
Hall High School restroom renovations Phase II	9/25/2016	435,560
Hall High School stage rigging	7/25/2016	179,809
Hall High School old gym ventilation upgrade	7/29/2016	45,000
Parkview Magnet High School cafeteria/kitchen renovation	8/29/2016	64,371
J. A. Fair High School football stadium field renovation	8/1/2016	2,400
Pinnacle View Middle School Phase I renovation	8/1/2016	191,348
Pinnacle View Middle School Phase II renovation	7/15/2017	1,202,050
McClellan High School football stadium drainage renovations	7/26/2016	45,742
Geyer Springs Early Childhood Center restroom renovations	7/29/2016	182,038
Geyer Springs Early Childhood Center parking lot expansions	10/28/2016	290,827

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**5: COMMITMENTS (Continued)**

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

General description of leases and leasing arrangements:

266 copiers for the term of 48 months with monthly rental payments based on copier usage at a rate of \$.0112908 per black and white copy, commencing July 1, 2014.

Rental payments for the operating leases described above were approximately \$741,094 for the year ended June 30, 2016.

C. 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
7/28/05	7/28/21		\$ 2,212,252	\$ 2,212,252	
12/15/11	2/1/20	1 - 1.9%	3,940,000	1,970,000.00	\$ 1,970,000
1/15/12	2/1/33	2 - 3.75%	43,685,000	39,310,000	4,375,000
12/1/15	2/1/33	3 - 3.5%	126,740,000	123,730,000	3,010,000
12/15/15	2/1/33	2 - 3.25%	17,995,000	17,995,000	
5/9/11	4/15/18	3.305%	703,040	216,984	486,056
7/19/13	8/1/19	1.86%	586,300	338,200	248,100
10/30/15	12/1/21	1.74%	518,000	440,762	77,238
Totals			<u>\$ 196,379,592</u>	<u>\$ 186,213,198</u>	<u>\$ 10,166,394</u>

Changes in Long-term Debt

	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
Bonds payable	\$185,767,252	\$144,735,000	\$145,285,000	\$185,217,252
Capital leases	938,490	518,000	460,544	995,946
Totals	<u>\$186,705,742</u>	<u>\$145,253,000</u>	<u>\$145,745,544</u> *	<u>\$186,213,198</u>

\*Includes \$140,065,000 early retirement of debt - See Note 7

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2017	\$ 8,034,256	\$ 5,649,387	\$ 13,683,643
2018	9,040,548	5,376,351	14,416,899
2019	9,153,106	5,142,003	14,295,109
2020	9,390,971	4,903,988	14,294,959
2021	11,662,623	4,658,570	16,321,193
2022-2026	51,496,694	19,115,323	70,612,017
2027-2031	60,230,000	10,842,913	71,072,913
2032-2033	27,205,000	1,449,675	28,654,675
Totals	<u>\$ 186,213,198</u>	<u>\$ 57,138,210</u>	<u>\$ 243,351,408</u>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**5: COMMITMENTS (Continued)**

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

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2016:

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment - Buses	\$ 703,040	\$ 363,237	\$ 339,803
Equipment - Buses	658,192	486,817	171,375
Equipment - Buses	686,380	474,341	212,039
Equipment - Buses	586,300	175,890	410,410
Equipment - Buses	518,000	43,167	474,833
Total	<u>\$ 3,151,912</u>	<u>\$ 1,543,452</u>	<u>\$ 1,608,460</u>

The present value of the net minimum lease payments is as follows at June 30, 2016:

Total Minimum Lease Payments	\$ 1,050,113
Less: Amount Representing Interest	<u>54,167</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 995,946</u>

Qualified Zone Academy Bond (QZAB)

On July 28, 2005, the District obtained funding of \$2,212,252 through the Qualified Zone Academy Bond (QZAB) program, a debt financial arrangement authorized under the Taxpayer Relief Act of 1997. The District will deposit \$102,286 annually into a sinking fund for 16 years for a total of \$1,636,576. This amount plus interest earned will be used to retire the debt when due.

Security for Debt Payments

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

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2016 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 1,476,670	\$ 354,853	\$ 1,415,981
Salaries payable	13,047,352	801,205	
Payroll withholdings and matching	10,049,591		
Due to grantors		12,678	
Other	665,917		
Totals	<u>\$ 25,239,530</u>	<u>\$ 1,168,736</u>	<u>\$ 1,415,981</u>

**7: DEBT REFUNDINGS**

On December 1, 2015, the District issued refunding bonds of \$126,740,000 with interest rates of 3 to 3.5 percent to refund \$11,035,000, \$34,940,000, and \$76,775,000 of outstanding bonds dated September 1, 2008, March 1, 2010, and November 1, 2010, respectively. The interest rates of the bonds refunded were 2 to 4.75 percent. Net bond proceeds of \$124,989,713 were remitted to an escrow agent to provide for all future debt service payments for the bonds refunded. These bonds were called on February 1, 2016. The remaining proceeds of \$311,990 (after payment of \$1,438,297 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$3,755,236 to the District over the life of the bonds.

On December 15, 2015, the District issued refunding bonds of \$17,995,000 with interest rates of 2 to 3.25 percent to refund \$17,315,000 of outstanding bonds dated July 1, 2009. The interest rates of the bonds refunded were 2 to 4.7 percent. Net bond proceeds of \$17,693,091 were remitted to an escrow agent to provide for all future debt service payments for the bonds refunded. These bonds will be called on February 1, 2016. The remaining proceeds of \$21,840 (after payment of \$280,069 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$1,880,480 to the District over the life of the bonds.

**8: INTERFUND TRANSFERS**

The District transferred \$14,669,354 from the general fund to the other aggregate fund for debt service payments of \$9,733,074 and debt refunding savings of \$4,936,280 required to be utilized for capital expenditures. Additionally, \$93,808 was transferred from the general fund to the special revenue fund for financial activity of Child Care and Early Childhood Education programs recorded in the general fund in prior years.

**9: RETIREMENT PLANS**

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.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**9: RETIREMENT PLANS (Continued)**

Arkansas Teacher Retirement System (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, 2016 were \$25,471,303, equal to the required contributions.

Additionally, the Arkansas Department of Education (ADE) paid retirement contributions to ATRS for certain employees of the District's Metropolitan Vocational Center, a secondary area center for career and technical education. The ADE's contribution for the year ended June 30, 2016 was \$170,798, 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), including the aforementioned secondary area center for career and technical education, was \$212,265,799.

Arkansas Public Employees Retirement System

Plan Description

The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain non-teaching school employees. APERS, 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% 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 for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2016 were \$46,009, 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 \$451,230.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

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

ADDITIONS	
Donations	\$ 8,560
Interest	1,428
Dividends	96,488
Investment change in fair market value	<u>188,468</u>
TOTAL ADDITIONS	<u>294,944</u>
DEDUCTIONS	
Scholarships	<u>143,538</u>
CHANGE IN FUND BALANCE	151,406
FUND BALANCE - JULY 1	<u>3,280,202</u>
FUND BALANCE - JUNE 30	<u><u>\$ 3,431,608</u></u>

**11: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$194,572,252 issued from July 28, 2005 through December 15, 2015. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$242,301,293, payable through February 1, 2033. Principal and interest paid for the current year and total property taxes pledged for debt service were \$9,728,642 and \$42,330,109, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 22.98 percent.

**12: RISK MANAGEMENT**

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

The District maintains a self-insurance, risk management account within the general fund to account for and finance its uninsured risks of loss. Under this self-insurance program, the District is responsible for individual losses up to maximum limits, which range from \$5,000 to \$300,000 based on the nature of the loss. The District purchases commercial insurance for claims in excess of amounts paid from the risk management account, and for other risks of loss.

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.

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.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016

**13: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$12,201,944 for the year ended June 30, 2016.

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Educational programs - national school lunch state categorical funding	\$ 510,288		
Capital projects			\$4,190,258
Child nutrition programs		\$ 902,866	
Debt service			1,579,174
Medical services		133,012	
Special education programs		32,209	
Education for Homeless Children and Youth		80,784	
Child Care and Development Block grant		106,186	
Adult Basic Education	157,683		
Juvenile Detention center	313,478		
Arkansas school recognition program	369,895		
M-to-M program	37,347,429		
Magnet school revenue	1,655,976		
Other purposes	101,669	25,641	
Total Restricted	<u>40,456,418</u>	<u>1,280,698</u>	<u>5,769,432</u>
Assigned to:			
Capital projects			13,671
Student activities	1,451,473		
Self-Insurance claims	841,276		
Total Assigned	<u>2,292,749</u>		<u>13,671</u>
Unassigned	<u>182,357</u>		
Totals	<u>\$ 42,931,524</u>	<u>\$ 1,280,698</u>	<u>\$ 5,783,103</u>

**15: COMPENSATION FOR LOSS OF CAPITAL ASSETS**

The District received compensation of \$108,715 for losses sustained due to fire at the playgrounds of two campuses on July 10, 2016.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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	\$ 21,185,695
Construction in progress	1,283,613
Total nondepreciable capital assets	22,469,308
 <i>Depreciable capital assets:</i>	
Buildings and Improvements	330,878,992
Equipment	71,714,349
Total depreciable capital assets	402,593,341
 Less accumulated depreciation for:	
Buildings and Improvements *	155,673,957
Equipment	50,828,589
Total accumulated depreciation	206,502,546
 Total depreciable capital assets, net	 196,090,795
 Capital assets, net	 \$ 218,560,103

\* Current year amount was not provided; therefore, prior year amount was reported.



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Direct Program:				
National School Lunch Program (Note 3)	10.555			\$ 79,998
Passed Through Arkansas Department of Education:				
School Breakfast Program	10.553	6001		3,541,050
National School Lunch Program	10.555	6001		7,353,189
Total Arkansas Department of Education				10,894,239
Passed Through Arkansas Department of Human Services:				
National School Lunch Program (Note 4)	10.555	6001000		737,974
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<b>11,712,211</b>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Special Education - Grants to States	84.027	6001		5,984,001
Special Education - Preschool Grants	84.173	6001		247,451
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>				<b>6,231,452</b>
<b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
Fresh Fruit and Vegetable Program	10.582	6001		247,070
<u>U. S. Department of Defense</u>				
Direct Program:				
ROTC (Note 5)	12.AR060012			118,937
<u>U. S. Department of the Interior</u>				
Direct Program:				
Historic Presevation Fund Grants-in-Aid	15.904			70,000
<u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Career Education:				
Adult Education - Basic Grants to States	84.002	6001		152,323
Career and Technical Education - Basic Grants to States	84.048	6001		362,904
Total Arkansas Department of Career Education				515,227
Passed Through Arkansas Department of Education:				
Title I Grants to Local Educational Agencies	84.010	6001		10,217,872
Education for Homeless Children and Youth	84.196	6001		30,500
Twenty-First Century Community Learning Centers	84.287	6001		1,171,777
English Language Acquisition State Grants	84.365	6001		278,985
Improving Teacher Quality State Grants	84.367	6001		721,163
School Improvement Grants	84.377	6001		1,144,184
Total Arkansas Department of Education				13,564,481
Passed Through Great Rivers Educational Cooperative:				
Special Education - State Personnel Development	84.323	6001000		24,358
Total U. S. Department of Education				14,104,066
<u>U. S. Department of Health and Human Services</u>				
Passed Through Arkansas Department of Career Education:				
Temporary Assistance for Needy Families	93.558	6001		5,608
<b>TOTAL OTHER PROGRAMS</b>				<b>14,545,681</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 0</b>	<b>\$ 32,489,344</b>

The accompanying notes are an integral part of this schedule.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Little Rock School District (District) under programs of the federal government for the year ended June 30, 2016. 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, as applicable, the cost principles contained in Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 6: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 7: During the year ended June 30, 2016, the District received Medicaid funding of \$531,723 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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
84.010	Title I Grants to Local Educational Agencies
84.377	School Improvement Grants

Dollar threshold used to distinguish between type A and type B programs:                    \$ 974,680

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.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2016

Schedule 4

**FINANCIAL STATEMENT FINDINGS**

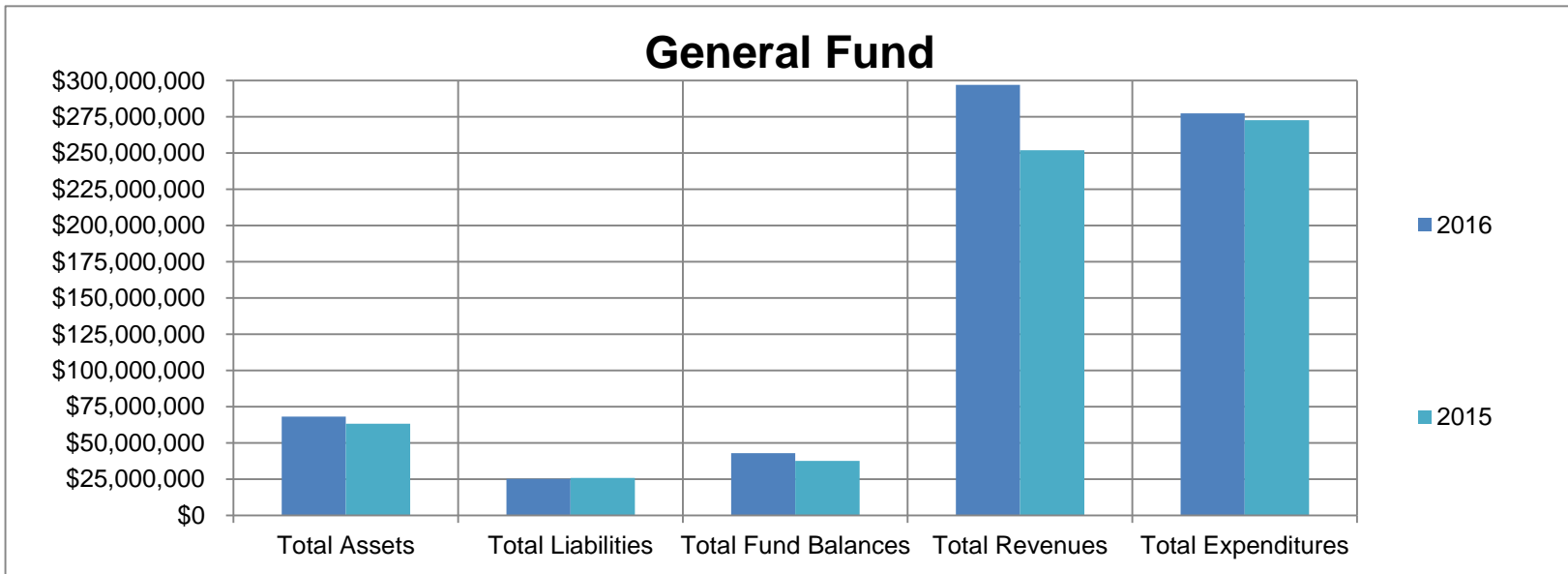
There were no findings in the prior audit.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the prior audit.

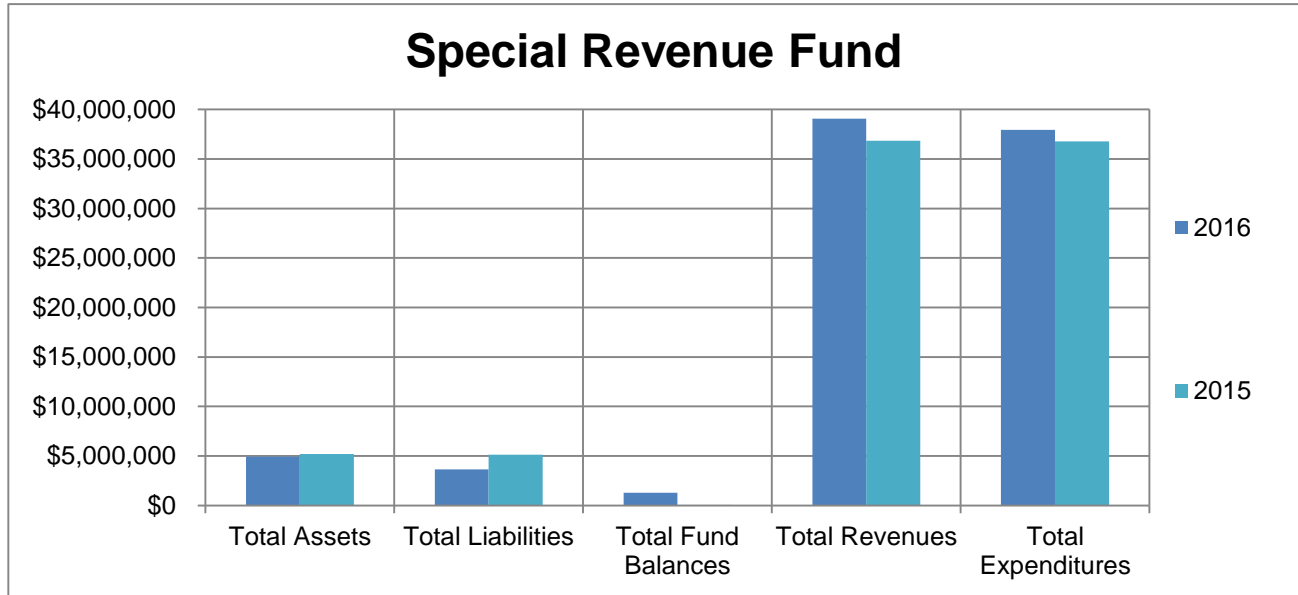
LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST TWO YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2016  
(Unaudited)

<u>General Fund</u>	Year Ended June 30,	
	2016	2015
Total Assets	\$ 68,171,054	\$ 63,278,657
Total Liabilities	25,239,530	25,751,675
Total Fund Balances	42,931,524	37,526,982
Total Revenues	296,977,546	252,053,228
Total Expenditures	277,436,557	272,767,008
Total Other Financing Sources (Uses)	(14,136,447)	25,694,664



LITTLE ROCK SCHOOL DISTRICT  
 PULASKI COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST TWO YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,	
	2016	2015
Total Assets	\$ 4,935,001	\$ 5,185,945
Total Liabilities	3,654,303	5,117,362
Total Fund Balances	1,280,698	68,583
Total Revenues	39,059,273	36,836,232
Total Expenditures	37,940,966	36,765,910
Total Other Financing Sources (Uses)	93,808	21,064



LITTLE ROCK SCHOOL DISTRICT  
 PULASKI COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST TWO YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2016  
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,	
	2016	2015
Total Assets	\$ 7,199,084	\$ 2,884,475
Total Liabilities	1,415,981	246,738
Total Fund Balances	5,783,103	2,637,737
Total Revenues	8,241,547	47,855,838
Total Expenditures	20,099,365	23,657,360
Total Other Financing Sources (Uses)	15,003,184	(25,746,664)

