

Little Rock School District

Pulaski County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE



LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
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Arkansas

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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, 2015, 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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note 9 to the financial statements, the District elected to present its financial statements in accordance with the regulatory basis of accounting instead of U.S. generally accepted accounting principles, effective July 1, 2014. Therefore, the beginning net position was restated as beginning fund balances at the fund level. Our opinion is not modified with respect to this matter.

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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Schedule of Capital Assets, and the Schedule of Selected Information for the Last Five 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 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 7, 2016 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
March 7, 2016
EDSD32115

Arkansas

Sen. Jimmy Hickey, Jr.
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Sen. Linda Chesterfield
Senate Vice Chair



Rep. Mary Broadaway
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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

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, 2015, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 7, 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, 2015, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated March 7, 2016.

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
March 7, 2016

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 OMB CIRCULAR A-133

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 Circular A-133 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, 2015. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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, 2015.

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 OMB Circular A-133, 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 7, 2016

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

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

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

1. The District reimbursed a Board member \$929 for mileage and parking without a documented business purpose.
2. Proper supporting documentation (i.e., itemized receipts and business purpose) was not maintained for \$810 in purchases made with the Superintendent's District-issued credit card. Furthermore, P-card purchases totaling \$1,055 for the Superintendent's office were not supported by a documented business purpose.
3. The Director of Classified/Recruitment and Equal Employment Opportunities received a salary increase of \$12,733 (\$112,488 to \$125,221) on September 14, 2014, without Board approval or an addendum to his original contract.

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

ARKANSAS LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 7, 2016

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2015

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 42,011,139		\$ 1,786,103	\$ 1,816,697
Investments	15,680,000			2,174,820
Accounts receivable	1,174,773	\$ 5,185,945		
Due from other funds	4,412,745			
Deposit with paying agent			1,098,372	
TOTAL ASSETS	<u>\$ 63,278,657</u>	<u>\$ 5,185,945</u>	<u>\$ 2,884,475</u>	<u>\$ 3,991,517</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 25,751,675	\$ 704,617	\$ 246,738	
Due student groups				\$ 711,315
Due to other funds		4,412,745		
Total Liabilities	<u>25,751,675</u>	<u>5,117,362</u>	<u>246,738</u>	<u>711,315</u>
Fund Balances:				
Nonspendable				2,174,820
Restricted	848,693	397,511	2,628,417	1,105,382
Assigned	1,922,836		9,320	
Unassigned	34,755,453	(328,928)		
Total Fund Balances	<u>37,526,982</u>	<u>68,583</u>	<u>2,637,737</u>	<u>3,280,202</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 63,278,657</u>	<u>\$ 5,185,945</u>	<u>\$ 2,884,475</u>	<u>\$ 3,991,517</u>

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, 2015

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 106,599,384		\$ 46,671,493
State assistance	135,463,662	\$ 80,230	
Federal assistance	507,451	34,368,320	
Activity revenues	3,762,629		
Meal sales		2,372,147	
Investment income	87,199	2,236	42,095
Other revenues	5,632,903	13,299	1,142,250
TOTAL REVENUES	252,053,228	36,836,232	47,855,838
EXPENDITURES			
Regular programs	111,537,675	810,095	
Special education	20,498,336	4,611,170	
Career education programs	7,099,454	356,625	
Adult/continuing education program	764,447	209,064	
Compensatory education programs	4,356,348	3,647,960	
Other instructional programs	15,618,946	111,694	
Student support services	12,923,170	3,465,099	
Instructional staff support services	19,333,812	7,156,330	4,022,423
General administration support services	4,441,228	1,189,253	
School administration support services	18,024,638		
Central services support services	8,097,058		167,381
Operation and maintenance of plant services	28,219,505		
Student transportation services	15,798,568	253,308	
Other support services	431,884		983,081
Food services operations	1,072,886	14,233,898	
Community services operations	35,675	298,838	
Facilities acquisition and construction services	455,667	2,463	4,260,209
Non-programmed costs	28,478	420,113	
Activity expenditures	3,620,008		
Debt Service:			
Principal retirement	369,848		7,590,000
Interest and fiscal charges	39,377		6,634,266
TOTAL EXPENDITURES	272,767,008	36,765,910	23,657,360
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,713,780)	70,322	24,198,478
OTHER FINANCING SOURCES (USES)			
Refund to grantor		(30,936)	
Transfers in	25,746,664	52,000	
Transfers out	(52,000)		(25,746,664)
TOTAL OTHER FINANCING SOURCES (USES)	25,694,664	21,064	(25,746,664)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	4,980,884	91,386	(1,548,186)
FUND BALANCES - JULY 1 (RESTATED)	32,546,098	(22,803)	4,185,923
FUND BALANCES - JUNE 30	\$ 37,526,982	\$ 68,583	\$ 2,637,737

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

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS

Exhibit C

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, 2015

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 104,935,000	\$ 106,599,384	\$ 1,664,384			
State assistance	139,446,770	135,463,662	(3,983,108)	\$ 79,059	\$ 80,230	\$ 1,171
Federal assistance		507,451	507,451	34,473,282	34,368,320	(104,962)
Activity revenues	4,970,200	3,762,629	(1,207,571)			
Meal sales				3,903,759	2,372,147	(1,531,612)
Investment income	85,000	87,199	2,199	3,048	2,236	(812)
Other revenues	2,211,000	5,632,903	3,421,903	83,148	13,299	(69,849)
TOTAL REVENUES	251,647,970	252,053,228	405,258	38,542,296	36,836,232	(1,706,064)
EXPENDITURES						
Regular programs	111,025,333	111,537,675	(512,342)	135,952	810,095	(674,143)
Special education	22,305,319	20,498,336	1,806,983	5,236,920	4,611,170	625,750
Career education programs	7,266,718	7,099,454	167,264	406,759	356,625	50,134
Adult/continuing education program	899,802	764,447	135,355	240,000	209,064	30,936
Compensatory education programs	3,943,610	4,356,348	(412,738)	4,694,262	3,647,960	1,046,302
Other instructional programs	15,960,944	15,618,946	341,998		111,694	(111,694)
Student support services	13,483,616	12,923,170	560,446	2,729,731	3,465,099	(735,368)
Instructional staff support services	18,919,922	19,333,812	(413,890)	8,409,869	7,156,330	1,253,539
General administration support services	4,474,915	4,441,228	33,687	2,272,360	1,189,253	1,083,107
School administration support services	17,804,877	18,024,638	(219,761)			
Central services support services	8,092,125	8,097,058	(4,933)			
Operation and maintenance of plant services	29,235,863	28,219,505	1,016,358			
Student transportation services	18,266,077	15,798,568	2,467,509	159,200	253,308	(94,108)
Other support services	341,200	431,884	(90,684)			
Food services operations	2,164,476	1,072,886	1,091,590	13,820,394	14,233,898	(413,504)
Community services operations		35,675	(35,675)	176,386	298,838	(122,452)
Facilities acquisition and construction services	550,000	455,667	94,333		2,463	(2,463)
Non-programmed costs		28,478	(28,478)	404,242	420,113	(15,871)
Activity expenditures	4,771,029	3,620,008	1,151,021			
Debt Service:						
Principal retirement		369,848	(369,848)			
Interest and fiscal charges		39,377	(39,377)			
TOTAL EXPENDITURES	279,505,826	272,767,008	6,738,818	38,686,075	36,765,910	1,920,165

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, 2015

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (27,857,856)	\$ (20,713,780)	\$ 7,144,076	\$ (143,779)	\$ 70,322	\$ 214,101
OTHER FINANCING SOURCES (USES)						
Refund to grantor					(30,936)	(30,936)
Transfers in	356,208,106	25,746,664	(330,461,442)		52,000	52,000
Transfers out	(327,967,259)	(52,000)	327,915,259			
TOTAL OTHER FINANCING SOURCES (USES)	28,240,847	25,694,664	(2,546,183)		21,064	21,064
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	382,991	4,980,884	4,597,893	(143,779)	91,386	235,165
FUND BALANCES - JULY 1	35,888,996	32,546,098	(3,342,898)	597,310	(22,803)	(620,113)
FUND BALANCES - JUNE 30	<u>\$ 36,271,987</u>	<u>\$ 37,526,982</u>	<u>\$ 1,254,995</u>	<u>\$ 453,531</u>	<u>\$ 68,583</u>	<u>\$ (384,948)</u>

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

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On January 28, 2015, the Arkansas Department of Education (ADE) assumed control of the Little Rock School District (District) and dissolved the local school board. The ADE appointed a new Superintendent on May 5, 2015. 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, 2015

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 fair 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.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2014 calendar year taxes collected by June 30, 2015 and 24 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, 2015 equaled or exceeded the 24 percent calculation.

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

G. 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.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Budget and Budgetary Accounting (Continued)

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.

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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 822,000	\$ 822,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>60,471,389</u>	<u>60,847,554</u>
Total Deposits	<u>\$ 61,293,389</u>	<u>\$ 61,669,554</u>

The above total deposits do not include cash on hand of \$550. The above total deposits include certificates of deposit of \$15,680,000 reported as investments and classified as nonparticipating contracts.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

3: INVESTMENTS

At June 30, 2015, the District's investments consisted of Chevron Corporation common stock with a market value of \$2,174,820. The earnings from this stock is to be used for scholarships. The value of the stock is reported as nonspendable within the fiduciary fund types. Additionally, investments included certificates of deposit of \$15,680,000 classified as nonparticipating contracts. See Note 2.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer. Approximately 12 percent of the District's reported investments are in the above mentioned stock. All investments reported in the District's fiduciary fund types consist of Chevron Corporation stock, a gift from Winthrop Rockefeller.

4: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2015 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 75,221	
Federal assistance		\$ 5,185,945
Other	1,099,552	
Totals	<u>\$1,174,773</u>	<u>\$ 5,185,945</u>

5: COMMITMENTS

The District was contractually obligated for the following at June 30, 2015:

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Pulaski Heights Elementary and Middle School fire alarm upgrades	7/31/15	\$ 57,524
Washington Elementary School fire alarm upgrades	8/28/15	164,300
Hall High School head beam modifications	1/28/16	2,664
Hall High School restroom renovations	8/15/15	331,862
Forest Heights Stem Academy restroom renovations	8/11/15	291,605
Franklin Elementary School restroom renovations	8/15/15	296,410
Chicot Original Building restroom renovations	8/11/15	275,416

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

General description of leases and leasing arrangements:

263 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 \$731,289 for the year ended June 30, 2015.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

5: COMMITMENTS (Continued)

C. Long-term Debt Issued and Outstanding

The District is presently paying on the following long-term debt:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2015</u>	<u>Maturities To June 30, 2015</u>
7/28/05	7/28/21		\$ 2,212,252	\$ 2,212,252	
9/1/08	2/1/33	3.25 - 4.75%	13,195,000	11,035,000	\$ 2,160,000
7/1/09	2/1/33	2 - 4.7%	21,390,000	17,315,000	4,075,000
3/1/10	2/1/33	2 - 4.375%	36,565,000	34,940,000	1,625,000
11/1/10	2/1/33	2.5 - 4%	82,795,000	76,775,000	6,020,000
12/15/11	2/1/20	1 - 1.9%	3,940,000	2,440,000	1,500,000
1/15/12	2/1/33	2 - 3.75%	43,685,000	41,050,000	2,635,000
1/30/09	1/30/16	3.92%	658,192	91,604	566,588
1/8/10	4/15/16	4.37%	686,380	107,663	578,717
5/9/11	4/15/18	3.305%	703,040	320,298	382,742
7/9/13	8/1/19	1.86%	586,300	418,925	167,375
Totals			<u>\$ 206,416,164</u>	<u>\$ 186,705,742</u>	<u>\$ 19,710,422</u>

Changes in Long-term Debt

	<u>Balance July 1, 2014</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2015</u>
Bonds payable	\$193,357,252		\$ 7,590,000	\$185,767,252
Capital leases	1,308,338		369,848	938,490
Totals	<u>\$194,665,590</u>	<u>\$ 0</u>	<u>\$ 7,959,848</u>	<u>\$186,705,742</u>

Future Principal and Interest Payments

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 8,128,307	\$ 6,462,561	\$ 14,590,868
2017	8,128,956	6,238,463	14,367,419
2018	8,329,012	6,014,619	14,343,631
2019	8,435,314	5,783,503	14,218,817
2020	8,676,901	5,544,782	14,221,683
2021-2025	49,067,252	23,562,045	72,629,297
2026-2030	56,305,000	14,706,415	71,011,415
2031-2033	39,635,000	3,304,781	42,939,781
Totals	<u>\$ 186,705,742</u>	<u>\$ 71,617,169</u>	<u>\$ 258,322,911</u>

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

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, 2015:

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment - Buses	\$ 658,192	\$ 420,997	\$ 237,195
Equipment - Buses	686,380	413,759	272,621
Equipment - Buses	703,040	292,933	410,107
Equipment - Buses	586,300	117,260	469,040
Total	<u>\$ 2,633,912</u>	<u>\$ 1,244,949</u>	<u>\$ 1,388,963</u>

The present value of the net minimum lease payments is as follows at June 30, 2015:

Total Minimum Lease Payments	\$ 991,095
Less: Amount Representing Interest	<u>52,605</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 938,490</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.

6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2015 were comprised of the following:

Description	Governmental Funds		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 827,966	\$ 187,139	\$ 246,738
Salaries payable	13,747,729	486,542	
Payroll withholdings and matching	10,517,263		
Due to grantors		30,936	
Other	658,717		
Totals	<u>\$ 25,751,675</u>	<u>\$ 704,617</u>	<u>\$ 246,738</u>

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

7: INTERFUND TRANSFERS

The District transferred excess property taxes of \$25,746,664 from the other aggregate funds to the general fund. Additionally, \$52,000 was transferred from the general fund to the special revenue fund to supplement the District's food services operations.

8: 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.

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, 2015 were \$26,404,480, 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, 2015 was \$186,430, 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, 2014 (actuarial valuation date and measurement date), including the aforementioned secondary area center for career and technical education, was \$174,491,894.

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.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

8: RETIREMENT PLANS (Continued)

Arkansas Public Employees Retirement System (Continued)

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, 2015 were \$64,161, 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, 2014 (actuarial valuation date and measurement date) was \$362,898.

9: PRIOR YEAR RESTATEMENT

The accompanying financial statements are prepared in accordance with the regulatory basis of accounting (RBA), which is a change in accounting basis from the prior year financial statements that were prepared in conformity with generally accepted accounting principles (GAAP). Some of the primary differences between RBA and GAAP include: RBA financial statements do not include the net pension liability, inventories, capital assets, long-term obligations, deferred inflows and outflows of resources, certain other assets and liabilities, and are presented on a fund basis, not a government-wide basis.

Primarily as a result of this change in accounting basis, the District's beginning total net position at July 1, 2014 was restated from \$72,694,611 to beginning fund balances of \$36,709,218 at the fund level.

10: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS:	
Donations	\$ 1,959
Interest	1,596
Dividends	96,488
Investment in stock	<u>2,174,820</u>
TOTAL ADDITIONS	<u>2,274,863</u>
DEDUCTIONS:	
Scholarships	<u>213,979</u>
CHANGE IN FUND BALANCE	2,060,884
FUND BALANCE - JULY 1	<u>1,219,318</u>
FUND BALANCE - JUNE 30	<u><u>\$ 3,280,202</u></u>

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

11: DEFICIT FUND BALANCES

The deficit unassigned fund balance of \$328,928 in the special revenue fund, as displayed in the table at Note 15 below, is the result of journal entries to eliminate child nutrition program inventories from the balance sheet for regulatory basis reporting purposes.

12: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$203,782,252 issued from July 28, 2005 through January 15, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$257,331,817, payable through February 1, 2033. Principal and interest paid for the current year and total property taxes pledged for debt service were \$14,217,023 and \$40,960,321, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 34.71 percent.

13: 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 \$250,000 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.

14: 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 \$10,774,406 for the year ended June 30, 2015.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

15: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
English-language learners	\$ 63,383		
Capital projects			\$1,530,045
Debt service			1,098,372
Medical services		\$ 55,498	
Better Beginnings	93,808		
Special education programs		26,250	
Twenty-First Century Community Learning Centers		254,206	
Education for Homeless Children and Youth		61,557	
Adult Basic Education	104,918		
Adult General Education	63,595		
Juvenile Detention center	224,825		
Educational Cooperative technology center	68,568		
School-Based health centers	70,777		
Other purposes	158,819		
Total Restricted	<u>848,693</u>	<u>397,511</u>	<u>2,628,417</u>
Assigned to:			
Capital projects			9,320
Student activities	1,323,370		
Self-Insurance claims	599,466		
Total Assigned	<u>1,922,836</u>		<u>9,320</u>
Unassigned	<u>34,755,453</u>	<u>(328,928)</u>	
Totals	<u>\$ 37,526,982</u>	<u>\$ 68,583</u>	<u>\$2,637,737</u>

16: SUBSEQUENT EVENTS

- (a) On December 1, 2015, the District issued refunding bonds of \$126,740,000 to advance refund the September 1, 2008, March 1, 2010, and November 1, 2010 bond issues.
- (b) On December 15, 2015, the District issued refunding bonds of \$17,995,000 to advance refund the July 1, 2009 bond issue.
- (c) On September 30, 2015, the District entered into a contract with Baptist Health to purchase property located at 5701 Ranch Drive in west Little Rock for \$11,500,000. As of the report date, the closing of this real estate transaction had not occurred.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2015
(Unaudited)

Schedule 1

	Balance June 30, 2015
<i>Nondepreciable capital assets:</i>	
Land	\$ 17,992,745
Construction in progress	392,389
Total nondepreciable capital assets	18,385,134
 <i>Depreciable capital assets:</i>	
Buildings and Improvements	320,367,684
Equipment	78,373,683
Total depreciable capital assets	398,741,367
 Less accumulated depreciation for:	
Buildings and Improvements	155,673,957
Equipment	50,936,215
Total accumulated depreciation	206,610,172
 Total depreciable capital assets, net	192,131,195
 Capital assets, net	\$ 210,516,329

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555		\$ 79,996
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	60-01-000	3,120,981
National School Lunch Program - Cash Assistance	10.555	60-01-000	7,096,062
Total State Department of Education			10,217,043
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	6001000	717,133
TOTAL CHILD NUTRITION CLUSTER			11,014,172
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	60-01	6,130,082
Special Education - Preschool Grants	84.173	60-01	258,796
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			6,388,878
OTHER PROGRAMS			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582	60-01	18,721
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC (Note 5)	12.AR060012		111,694
<u>National Endowment for the Arts</u>			
Passed Through Department of Arkansas Heritage - Arkansas Arts Council:			
Promotion of the Arts - Partnership Agreements	45.025	Unavailable	2,700
<u>U. S. Department of Education</u>			
Passed Through State Department of Career Education:			
Adult Education - Basic Grants to States	84.002	60-01	209,064
Career and Technical Education - Basic Grants to States	84.048	60-01	396,786
Total State Department of Career Education			605,850
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	60-01	9,779,818
Education for Homeless Children and Youth	84.196	60-01	15,710
Twenty-First Century Community Learning Centers	84.287	60-01	991,957
English Language Acquisition State Grants	84.365	60-01	217,083
Improving Teacher Quality State Grants	84.367	60-01	1,046,983
School Improvement Grants	84.377	60-01	1,787,478
Total State Department of Education			13,839,029
Total U. S. Department of Education			14,444,879

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U. S. Department of Health and Human Services Passed Through State Department of Education: Temporary Assistance for Needy Families	93.558	60-01	\$ 507,451
TOTAL OTHER PROGRAMS			15,085,445
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 32,488,495

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Little Rock School District (District) under programs of the federal government for the year ended June 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
- 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 State Department of Human Services.
- Note 5: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 6: During the year ended June 30, 2015, the District received Medicaid funding of \$665,329 from the State 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, 2015

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:

<input checked="" type="radio"/>	Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
<input checked="" type="radio"/>	Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
	Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

FEDERAL AWARDS

Internal control over major federal programs:

<input checked="" type="radio"/>	Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
<input checked="" type="radio"/>	Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	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 Section 510(a) of OMB Circular A-133?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster
84.287	Twenty-First Century Community Learning Centers

Dollar threshold used to distinguish between type A and type B programs:	\$	<u>974,655</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
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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
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2015

Schedule 4

There were no findings in the prior audit.