

Nemo Vista School District No. 8

Conway County, Arkansas

**Regulatory Basis Financial Statements
And Other Reports**

June 30, 2016

LEGISLATIVE JOINT AUDITING COMMITTEE



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CONWAY COUNTY, ARKANSAS
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JUNE 30, 2016

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Arkansas

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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

Nemo Vista School District No. 8 and School Board Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Nemo Vista School District No. 8 (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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 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
March 28, 2017
EDSD07216

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

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

Nemo Vista School District No. 8 and School Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Nemo Vista School District No. 8 (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 March 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described below in the Audit Findings section of this report, that we consider to be a material weakness.

Compliance and Other Matters

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

AUDIT FINDINGS

Material Weakness

Internal control is a process consisting of five interrelated components – *control environment, risk assessment, information and communication, control activities, and monitoring*. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, amount other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statement would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the same employee was responsible for preparation of payroll and non-payroll checks, maintenance of accounting records, and preparation of bank reconciliations, without compensating controls.

An understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures was obtained. The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements as well as the ability to safeguard District assets, was adversely affected by the identified weaknesses in the aforementioned internal control component. District management, due to cost/benefit implications which hindered the District's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiencies in internal control. District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets.

Management Response: We concur with the recommendation and will implement corrective procedures to the extent possible.

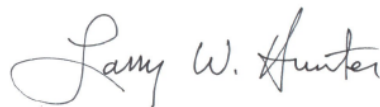
District's Response to Findings

The District's response to the finding identified in our audit is described previously. The District's response was not subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

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



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 28, 2017

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2016

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 4,132,637	\$ 11,622	\$ 1,897,553	\$ 65,975
Investments	744,744			
Accounts receivable	2,828	54,613		
Due from other funds	27,975			
 TOTAL ASSETS	\$ 4,908,184	\$ 66,235	\$ 1,897,553	\$ 65,975
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 24,901			
Due student groups				\$ 65,975
Due to other funds		\$ 27,975		
Total Liabilities	24,901	27,975		65,975
 Fund Balances:				
Restricted	39,324	38,260		
Assigned	587		\$ 1,897,553	
Unassigned	4,843,372			
Total Fund Balances	4,883,283	38,260	1,897,553	
 TOTAL LIABILITIES AND FUND BALANCES	\$ 4,908,184	\$ 66,235	\$ 1,897,553	\$ 65,975

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

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 5,079,079		
State assistance	411,782	\$ 1,783	
Federal assistance	7,388	505,060	
Activity revenues	49,091		
Meal sales		64,191	
Investment income	46,641		\$ 685
Other revenues	62,885	30	
TOTAL REVENUES	5,656,866	571,064	685
EXPENDITURES			
Regular programs	1,816,002		
Special education	223,837	55,925	
Career education programs	176,158		
Compensatory education programs	45,573	108,001	
Other instructional programs	234,321		
Student support services	301,991	82,697	
Instructional staff support services	294,589	53,594	
General administration support services	199,815		
School administration support services	319,991		
Central services support services	96,650		
Operation and maintenance of plant services	643,067		9,385
Student transportation services	269,937		
Other support services	20,746		
Food services operations	50,862	266,872	
Community services operations		1,595	
Facilities acquisition and construction services	9,031		739,426
Activity expenditures	49,198		
Debt Service:			
Principal retirement	104,656		130,000
Interest and fiscal charges	7,870		51,870
TOTAL EXPENDITURES	4,864,294	568,684	930,681
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	792,572	2,380	(929,996)
OTHER FINANCING SOURCES (USES)			
Transfers in			681,870
Transfers out	(681,870)		
TOTAL OTHER FINANCING SOURCES (USES)	(681,870)		681,870
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	110,702	2,380	(248,126)
FUND BALANCES - JULY 1	4,772,581	35,880	2,145,679
FUND BALANCES - JUNE 30	\$ 4,883,283	\$ 38,260	\$ 1,897,553

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

NEMO VISTA SCHOOL DISTRICT NO. 8
CONWAY 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)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 5,271,652	\$ 5,079,079	\$ (192,573)			
State assistance	367,443	411,782	44,339	\$ 1,800	\$ 1,783	\$ (17)
Federal assistance		7,388	7,388	490,516	505,060	14,544
Activity revenues		49,091	49,091			
Meal sales				59,200	64,191	4,991
Investment income	20,000	46,641	26,641			
Other revenues	35,700	62,885	27,185		30	30
TOTAL REVENUES	5,694,795	5,656,866	(37,929)	551,516	571,064	19,548
EXPENDITURES						
Regular programs	1,893,819	1,816,002	77,817			
Special education	229,508	223,837	5,671	58,794	55,925	2,869
Career education programs	208,943	176,158	32,785			
Compensatory education programs	43,581	45,573	(1,992)	117,480	108,001	9,479
Other instructional programs	246,076	234,321	11,755			
Student support services	335,978	301,991	33,987	85,746	82,697	3,049
Instructional staff support services	288,338	294,589	(6,251)	61,682	53,594	8,088
General administration support services	233,193	199,815	33,378			
School administration support services	326,836	319,991	6,845			
Central services support services	140,199	96,650	43,549			
Operation and maintenance of plant services	756,158	643,067	113,091			
Student transportation services	338,235	269,937	68,298			
Other support services	25,000	20,746	4,254			
Food services operations	55,308	50,862	4,446	263,253	266,872	(3,619)
Community services operations				5,002	1,595	3,407
Facilities acquisition and construction services	9,668	9,031	637			
Activity expenditures		49,198	(49,198)			
Debt Service:						
Principal retirement	104,656	104,656				
Interest and fiscal charges	7,869	7,870	(1)			
TOTAL EXPENDITURES	5,243,365	4,864,294	379,071	591,957	568,684	23,273

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY 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	\$ 451,430	\$ 792,572	\$ 341,142	\$ (40,441)	\$ 2,380	\$ 42,821
OTHER FINANCING SOURCES (USES)						
Transfers in	6,839,367		(6,839,367)	19,597		(19,597)
Transfers out	(7,171,407)	(681,870)	6,489,537	(19,597)		19,597
TOTAL OTHER FINANCING SOURCES (USES)	(332,040)	(681,870)	(349,830)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	119,390	110,702	(8,688)	(40,441)	2,380	42,821
FUND BALANCES - JULY 1	4,844,990	4,772,581	(72,409)	30,715	35,880	5,165
FUND BALANCES - JUNE 30	<u>\$ 4,964,380</u>	<u>\$ 4,883,283</u>	<u>\$ (81,097)</u>	<u>\$ (9,726)</u>	<u>\$ 38,260</u>	<u>\$ 47,986</u>

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

NEMO VISTA SCHOOL DISTRICT NO. 8
CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Nemo Vista School District (District). There are no component units.

B. Description of Funds

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

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

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

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

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund types include the following:

Agency Funds – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

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.

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY 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 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
Improvements/infrastructure	20
Buildings	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.

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.

NEMO VISTA SCHOOL DISTRICT NO. 8
CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Fund Balance Classifications

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

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.

J. Stabilization Arrangements

The District's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

K. Minimum Fund Balance Policies

The District's Board 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 District's Board of Education has not adopted a formal policy addressing this authorization

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Classification Policies and Procedures (Continued)

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)	\$ 575,795	\$ 575,795
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	6,276,736	6,662,067
Total Deposits	\$ 6,852,531	\$ 7,237,862

The above total deposits include certificates of deposit of \$744,744 reported as investments and classified as nonparticipating contracts.

3: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 54,613
Other	\$ 2,828	
Totals	\$ 2,828	\$ 54,613

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

4: COMMITMENTS

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
Family and Consumer Science (FACS) building	December 12, 2016	\$ 595,526

B. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2016	Maturities To June 30, 2016
6/15/03	2/1/20	2 - 4.1%	\$ 1,260,000	\$ 360,000	\$ 900,000
7/1/12	2/1/36	1.15 - 3.25%	1,350,000	1,230,000	120,000
10/3/12	10/3/17	3.25%	280,475	88,938	191,537
10/3/12	10/3/17	3.25%	234,973	74,510	160,463
Totals			<u>\$ 3,125,448</u>	<u>\$ 1,753,448</u>	<u>\$ 1,372,000</u>

Changes in Long-term Debt

	Balance July 1, 2015	Issued	Retired	Balance June 30, 2016
Bonds payable	\$ 1,720,000		\$ 130,000	\$ 1,590,000
Capital leases	268,104		104,656	163,448
Totals	<u>\$ 1,988,104</u>	<u>\$ 0</u>	<u>\$ 234,656</u>	<u>\$ 1,753,448</u>

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2017	\$ 243,085	\$ 52,026	\$ 295,111
2018	195,363	44,680	240,043
2019	140,000	39,345	179,345
2020	145,000	34,820	179,820
2021	55,000	30,000	85,000
2022-2026	280,000	130,008	410,008
2027-2031	325,000	89,625	414,625
2032-2036	370,000	36,782	406,782
Totals	<u>\$ 1,753,448</u>	<u>\$ 457,286</u>	<u>\$ 2,210,734</u>

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

4: COMMITMENTS (Continued)

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

Capital Lease

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

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment	\$ 507,448	\$ 188,523	\$ 318,926

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

Total Minimum Lease Payments	\$ 168,789
Less: Amount Representing Interest	5,341
Total Present Value of Net Minimum Lease Payments	\$ 163,448

Security for Debt Payments

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

5: ACCOUNTS PAYABLE

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

Description	Governmental Fund Major General
Vendor payables	\$ 24,901

6: INTERFUND TRANSFERS

The District transferred \$681,870 from the general fund to the other aggregate funds for debt related payments of \$181,870 and future capital expenditures of \$500,000.

NEMO VISTA SCHOOL DISTRICT NO. 8
CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

7: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2016 were \$437,135, 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 \$3,353,710.

8: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$2,610,000 issued from June 15, 2003 through July 1, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$2,041,945, payable through February 1, 2036. Principal and interest paid for the current year and total property taxes pledged for debt service were \$181,040 and \$1,551,572, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 11.67 percent.

9: RISK MANAGEMENT

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

The District carries commercial insurance for board liability and student accidents.

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

Additionally, the District participates in the Arkansas School Boards Association - Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2016

9: RISK MANAGEMENT (Continued)

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.

10: 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 \$94,582 for the year ended June 30, 2016.

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 974		
Educational programs - national school lunch state categorical funding	1,856		
English-language learners	77		
Professional development	362		
Child nutrition programs		\$ 11,622	
Medical services		13,376	
Special education programs	2,327	1,627	
Title I programs		8,585	
Other purposes	33,728	3,050	
Total Restricted	<u>39,324</u>	<u>38,260</u>	
Assigned to:			
Capital projects			\$ 1,897,553
Student activities	587		
Total Assigned	<u>587</u>		<u>1,897,553</u>
Unassigned	<u>4,843,372</u>		
Totals	<u>\$4,883,283</u>	<u>\$ 38,260</u>	<u>\$ 1,897,553</u>

12: SUBSEQUENT EVENTS

On January 9, 2017, the District purchased land for \$130,000.

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

Schedule 1

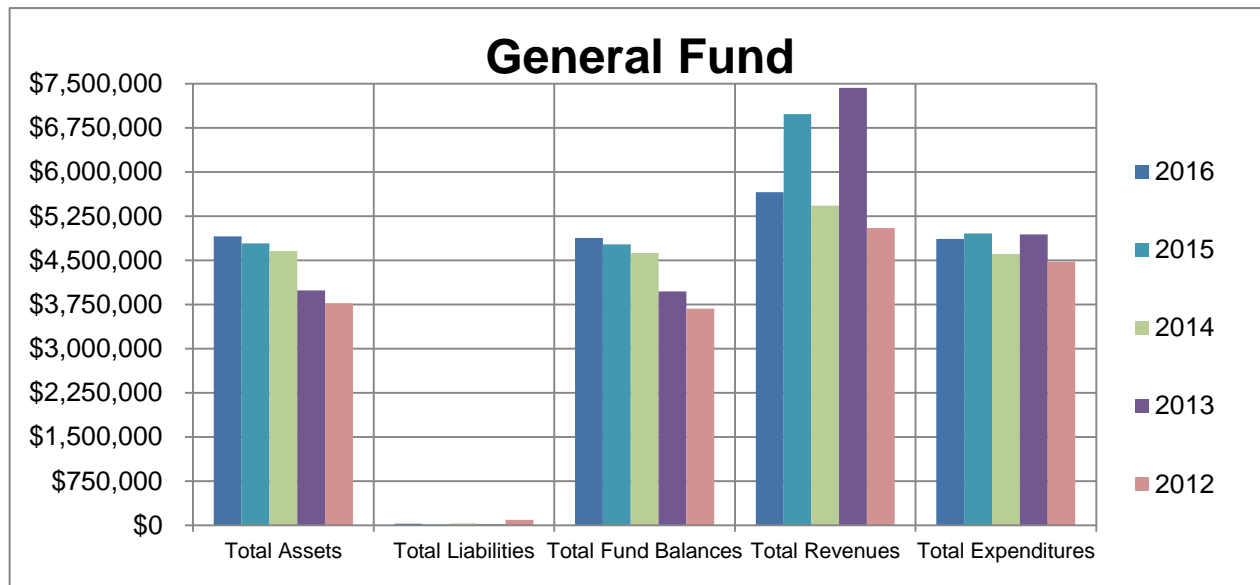
	Balance June 30, 2016
<i>Nondepreciable capital assets:</i>	
Land	\$ 56,081
Construction in progress	170,750
Total nondepreciable capital assets	226,831
 <i>Depreciable capital assets:</i>	
Buildings	9,268,264
Improvements/infrastructure	757,969
Equipment	1,642,232
Total depreciable capital assets	11,668,465
 Less accumulated depreciation for:	
Buildings	2,266,066
Improvements/infrastructure	131,037
Equipment	1,162,744
Total accumulated depreciation	3,559,847
Total depreciable capital assets, net	8,108,618
Capital assets, net	\$ 8,335,449

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS

Schedule 2

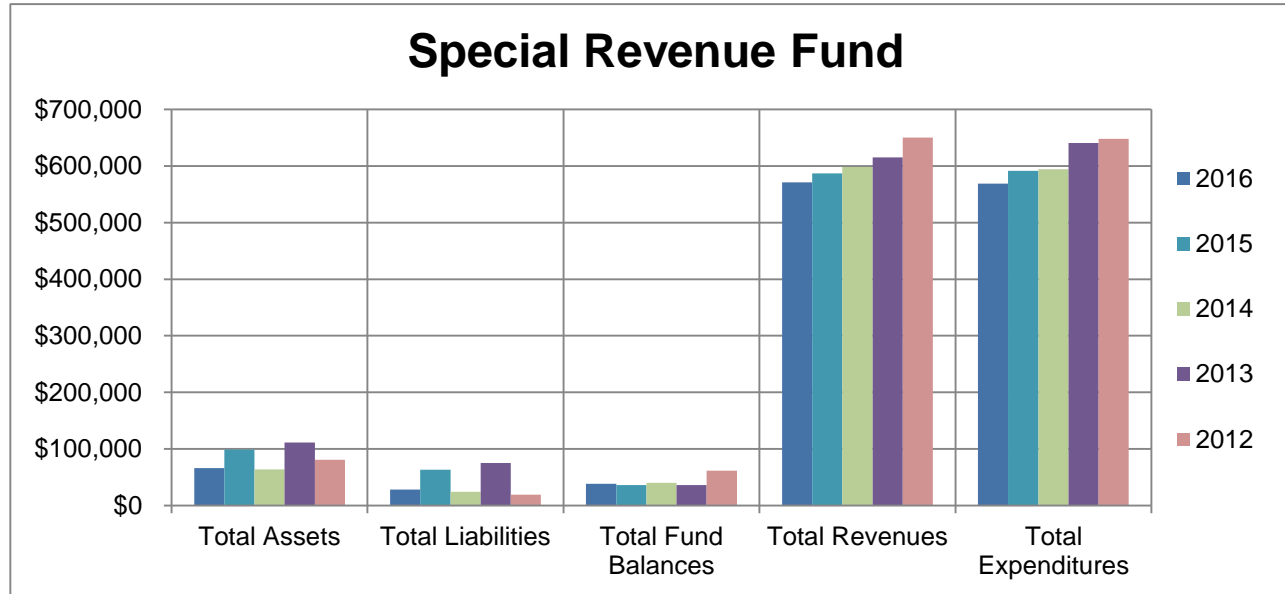
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

General Fund	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 4,908,184	\$ 4,788,999	\$ 4,656,853	\$ 3,989,223	\$ 3,773,101
Total Liabilities	24,901	16,418	29,588	17,581	93,604
Total Fund Balances	4,883,283	4,772,581	4,627,265	3,971,642	3,679,497
Total Revenues	5,656,866	6,987,135	5,429,380	7,432,737	5,050,678
Total Expenditures	4,864,294	4,956,574	4,610,854	4,943,378	4,479,996
Total Other Financing Sources (Uses)	(681,870)	(1,885,245)	(162,903)	(2,197,214)	(621,982)



NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 66,235	\$ 98,888	\$ 64,015	\$ 111,251	\$ 80,650
Total Liabilities	27,975	63,008	24,007	75,141	19,088
Total Fund Balances	38,260	35,880	40,008	36,110	61,562
Total Revenues	571,064	587,093	598,299	615,333	650,145
Total Expenditures	568,684	591,221	594,401	640,785	647,784
Total Other Financing Sources (Uses)					214



NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS

Schedule 2

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2016
 (Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2016	2015	2014	2013	2012
Total Assets	\$ 1,897,553	\$ 2,148,682	\$ 867,370	\$ 1,455,462	\$ 30,876
Total Liabilities		3,003	48,182	100	30,876
Total Fund Balances	1,897,553	2,145,679	819,188	1,455,362	
Total Revenues	685	51,302	2,176	1,945	88,839
Total Expenditures	930,681	610,056	801,253	1,254,833	804,573
Total Other Financing Sources (Uses)	681,870	1,885,245	162,903	2,708,250	621,768

