

# **Gentry School District No. 19**

**Benton County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2017**



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BENTON COUNTY, ARKANSAS  
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# Arkansas



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Sen. Lance Eads  
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Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Gentry School District No. 19 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 Gentry School District No. 19 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

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

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

#### *Auditor's Responsibility*

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2017, or the changes in financial position for the year then ended.

### ***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, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

### ***Other Matters***

#### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Capital Assets, and the Schedule of Selected Information for the Last 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 Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last 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 1, 2018 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
March 1, 2018  
EDSD01917

# Arkansas

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



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

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

Gentry School District No. 19 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 Gentry School District No. 19 (the "District"), as of and for the year ended June 30, 2017, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 1, 2018. 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, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we 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 have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001, 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 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*.

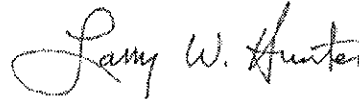
### **District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. 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 results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *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 1, 2018

# Arkansas

Sen. Jimmy Hickey, Jr.  
Senate Chair  
Sen. Lance Eads  
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Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

### INDEPENDENT AUDITOR'S REPORT

Gentry School District No. 19 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Gentry School District No. 19 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### *Management's Responsibility*

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

#### *Auditor's Responsibility*

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

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

#### *Opinion on Each Major Federal Program*

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

#### Report on Internal Control Over Compliance

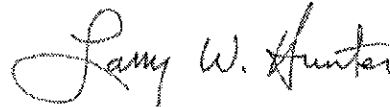
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
March 1, 2018



GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2017

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 1,413,113	\$ 17,372	\$ 11,668,497	\$ 109,574
Accounts receivable	165,303	133,723		6,250
Due from other funds	101,325			
Deposit with paying agent			534,125	
<b>TOTAL ASSETS</b>	<b>\$ 1,679,741</b>	<b>\$ 151,095</b>	<b>\$ 12,202,622</b>	<b>\$ 115,824</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 42,676	\$ 7,236	\$ 689,785	\$ 2,633
Due student groups				59,375
Due to other funds		101,325		
<b>Total Liabilities</b>	<b>42,676</b>	<b>108,561</b>	<b>689,785</b>	<b>62,008</b>
<b>Fund Balances:</b>				
Restricted	196,692	42,534	11,158,102	53,816
Assigned	62,594		354,735	
Unassigned	1,377,779			
<b>Total Fund Balances</b>	<b>1,637,065</b>	<b>42,534</b>	<b>11,512,837</b>	<b>53,816</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,679,741</b>	<b>\$ 151,095</b>	<b>\$ 12,202,622</b>	<b>\$ 115,824</b>

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

GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 7,692,625		
State assistance	6,185,627	\$ 4,894	
Federal assistance		1,520,499	\$ 66,369
Activity revenues	168,351		
Meal sales		138,526	
Investment income	1,198		21,084
Other revenues	292,365	449	3,627
<b>TOTAL REVENUES</b>	<b>14,340,166</b>	<b>1,664,368</b>	<b>91,080</b>
<b>EXPENDITURES</b>			
Regular programs	5,485,017		4,902
Special education	686,478	186,121	
Career education programs	592,425	47,265	
Compensatory education programs	63,517	299,739	
Other instructional programs	218,981	1,063	
Student support services	548,709	116,262	
Instructional staff support services	880,175	302,729	4,821
General administration support services	331,952		
School administration support services	669,833		
Central services support services	461,378		
Operation and maintenance of plant services	1,603,077		229,160
Student transportation services	658,344		
Other support services	26,467		
Food services operations		761,001	
Facilities acquisition and construction services			2,691,941
Non-programmed costs	15,979		
Activity expenditures	174,152		
Debt Service:			
Principal retirement			815,000
Interest and fiscal charges			426,581
Net debt issuance costs			316,840
<b>TOTAL EXPENDITURES</b>	<b>12,416,484</b>	<b>1,714,180</b>	<b>4,489,245</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,923,682</b>	<b>(49,812)</b>	<b>(4,398,165)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		15,280	1,753,786
Transfers out	(1,769,066)		
Proceeds from construction bond issues			12,600,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,769,066)</b>	<b>15,280</b>	<b>14,353,786</b>

GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 154,616	\$ (34,532)	\$ 9,955,621
FUND BALANCES - JULY 1	<u>1,482,449</u>	<u>77,066</u>	<u>1,557,216</u>
FUND BALANCES - JUNE 30	<u>\$ 1,637,065</u>	<u>\$ 42,534</u>	<u>\$ 11,512,837</u>

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

GENTRY SCHOOL DISTRICT NO. 19  
BENTON COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2017

	General			Special Revenue			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<b>REVENUES</b>							
Property taxes (including property tax relief trust distribution)	\$ 6,815,000	\$ 7,692,625	\$ 877,625	\$ 4,500	\$ 4,894	\$ 394	
State assistance	6,241,578	6,185,627	(55,951)	1,582,824	1,520,499	(62,325)	
Federal assistance							
Activity revenues	311,000	168,351	(142,649)				
Meal sales							
Investment income	2,700	1,198	(1,502)	125,000	138,526	13,526	
Other revenues	288,053	292,365	4,312		449	449	
<b>TOTAL REVENUES</b>	<b>13,658,331</b>	<b>14,340,166</b>	<b>681,835</b>	<b>1,712,324</b>	<b>1,664,368</b>	<b>(47,956)</b>	
<b>EXPENDITURES</b>							
Regular programs	5,486,844	5,485,017	1,827				
Special education	689,167	686,478	2,689	197,867	186,121	11,746	
Career education programs	544,819	592,425	(47,606)	44,849	47,265	(2,416)	
Compensatory education programs	63,973	63,517	456	299,888	299,739	149	
Other instructional programs	215,000	218,981	(3,981)	11,803	1,063	10,740	
Student support services	552,437	548,709	3,728	120,993	116,262	4,731	
Instructional staff support services	904,320	880,175	24,145	347,850	302,729	45,121	
General administration support services	279,934	331,952	(52,018)				
School administration support services	658,136	669,833	(11,697)	1,096		1,096	
Central services support services	431,062	461,378	(30,316)				
Operation and maintenance of plant services	1,586,329	1,603,077	(16,748)				
Student transportation services	631,959	658,344	(26,385)				
Other support services	29,000	26,467	2,533				
Food services operations	20,000		20,000	676,643	761,001	(84,358)	
Community services operations		15,979	(15,979)	4,393		4,393	
Non-programmed costs		174,152	135,848				
Activity expenditures	310,000						
<b>TOTAL EXPENDITURES</b>	<b>12,402,980</b>	<b>12,416,484</b>	<b>(13,504)</b>	<b>1,705,382</b>	<b>1,714,180</b>	<b>(8,798)</b>	

GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017

	General			Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual	Budget	Actual	Budget	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,255,351	\$ 1,923,682	\$ 668,331	\$ (49,812)	\$ 6,942	\$ (56,754)
OTHER FINANCING SOURCES (USES)						
Transfers in	5,937,319		(5,937,319)		15,280	15,280
Transfers out	(7,147,917)	(1,769,066)	5,378,851			
TOTAL OTHER FINANCING SOURCES (USES)	(1,210,598)	(1,769,066)	(558,468)		15,280	15,280
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	44,753	154,616	109,863	(34,532)	6,942	(41,474)
FUND BALANCES - JULY 1	1,803,396	1,482,449	(320,947)	77,066	66,671	10,395
FUND BALANCES - JUNE 30	\$ 1,848,149	\$ 1,637,065	\$ (211,084)	\$ 42,534	\$ 73,613	\$ (31,079)

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

GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**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 Gentry 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).

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.

GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2017

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

**C. Measurement Focus and Basis of Accounting (Continued)**

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to financial statements.

**D. Revenue Recognition Policies**

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

**E. Capital Assets**

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$2,500 for capitalizing equipment. Library holdings are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	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 2016 calendar year taxes collected by June 30, 2017 and 16 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2017 equaled or exceeded the 16 percent calculation.

GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

F. Property Taxes (Continued)

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

G. 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. 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.



GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

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.

The District's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the District's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

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)	\$ 10,375,683	\$ 10,375,683
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,832,853	3,236,039
Total Deposits	\$ 13,208,536	\$ 13,611,722

The above total deposits do not include cash on hand of \$20.

GENTRY SCHOOL DISTRICT NO. 19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**3: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds		Fiduciary Fund Types
	Major		
	General	Special Revenue	
State assistance	\$ 14,137		
Federal assistance		\$ 133,723	
Activity fund accounts	234		\$ 6,250
Other	150,932		
<b>Totals</b>	<b>\$ 165,303</b>	<b>\$ 133,723</b>	<b>\$ 6,250</b>

**4: COMMITMENTS**

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

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Diesel Mechanics Lab	August 2017	\$ 542,181
Intermediate School	October 2018	506,353

B. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2017	Maturities To June 30, 2017
9/21/10	9/1/27	4.75%	\$ 1,500,000	\$ 1,500,000	
9/1/11	4/1/34	0.75 - 3.75%	1,380,000	1,120,000	\$ 260,000
11/1/12	4/1/37	1 - 3%	3,595,000	3,140,000	455,000
8/1/14	4/1/34	1 - 3.25%	6,015,000	5,665,000	350,000
12/6/16	4/1/47	1 - 3.125%	9,500,000	9,500,000	
5/25/17	4/1/47	1 - 3.375%	3,100,000	3,100,000	
<b>Totals</b>			<b>\$ 25,090,000</b>	<b>\$ 24,025,000</b>	<b>\$ 1,065,000</b>

GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

4: **COMMITMENTS (Continued)**

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

Changes in Long-term Debt

	Balance July 1, 2016	Issued	Retired	Balance June 30, 2017
Bonds payable	\$ 12,240,000	\$ 12,600,000	\$ 815,000	\$ 24,025,000

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2018	\$ 730,000	\$ 636,709	\$ 1,366,709
2019	720,000	641,723	1,361,723
2020	740,000	632,110	1,372,110
2021	750,000	619,923	1,369,923
2022	765,000	606,952	1,371,952
2023-2027	4,110,000	2,800,610	6,910,610
2028-2032	6,140,000	1,952,064	8,092,064
2033-2037	4,775,000	1,232,996	6,007,996
2038-2042	2,465,000	675,069	3,140,069
2043-2047	2,830,000	273,831	3,103,831
Totals	\$ 24,025,000	\$ 10,071,987	\$ 34,096,987

Qualified School Construction Bonds

On September 21, 2010, the District obtained funding of \$1,500,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit a specified amount annually into a sinking fund for 17 years. 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.

GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**5: ACCOUNTS PAYABLE**

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

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	\$ 42,676	\$ 7,236	\$ 689,785	\$ 2,633

**6: INTERFUND TRANSFERS**

The District transferred \$1,753,786 from the general fund to the other aggregate funds for debt related payments of \$1,315,231, debt refunding savings required to be utilized for capital expenditures of \$29,181, and future capital projects of \$409,374. Additionally, \$15,280 was transferred from the general fund to the special revenue fund to supplement the District's food services operations.

**7: 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, by calling 1-800-666-2877, or by visiting the ATRS website at [www.artrs.gov](http://www.artrs.gov).

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2017 were \$1,218,608, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2016 (actuarial valuation date and measurement date) was \$12,798,994.

GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**7: RETIREMENT PLANS (Continued)**

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, by calling 1-800-682-7377, or by visiting the APERS website at [www.apers.org](http://www.apers.org).

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, 2017 were \$1,134, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2016 (actuarial valuation date and measurement date) was \$10,095.

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

ADDITIONS	
Donations	\$ 53,476
	<hr/>
DEDUCTIONS	
Scholarships	30,340
	<hr/>
CHANGE IN FUND BALANCE	23,136
FUND BALANCE - JULY 1	30,680
	<hr/>
FUND BALANCE - JUNE 30	\$ 53,816
	<hr/> <hr/>

**9: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$25,090,000 issued from September 21, 2010 to May 25, 2017. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$34,096,987, payable through April 1, 2047. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,238,3477 and \$3,010,157, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 41.14 percent.

GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

**10: RISK MANAGEMENT**

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

The Districts carries commercial insurance for board liability, student accidents, and employee accidental death and dismemberment.

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

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

**11: 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 \$285,578 for the year ended June 30, 2017.

GENTRY SCHOOL DISTRICT NO.19  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2017

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

Description	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Educational programs - national school lunch state categorical funding	\$ 40,618		
English-language learners	7,074		
Professional development	15,134		
Capital projects			\$ 10,415,957
Child nutrition programs		\$ 3,516	
Debt service			742,145
Medical services		38,213	
Special education programs	37,159		
Other purposes	96,707	805	
Total Restricted	<u>196,692</u>	<u>42,534</u>	<u>11,158,102</u>
Assigned to:			
Capital projects			354,735
Student activities	62,594		
Total Assigned	<u>62,594</u>		<u>354,735</u>
Unassigned	<u>1,377,779</u>		
Totals	<u>\$1,637,065</u>	<u>\$ 42,534</u>	<u>\$ 11,512,837</u>

**13: SUBSEQUENT EVENT**

On August 28, 2017, the District executed a change order for \$8,810,051 for the new intermediate school construction project, increasing the contract with Flintco, LLC from \$474,837 to \$9,284,888.

GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2017  
 (Unaudited)

Schedule 1

	Balance June 30, 2017
<i>Nondepreciable capital assets:</i>	
Land	\$ 252,820
Construction in progress	2,474,200
Total nondepreciable capital assets	2,727,020
 <i>Depreciable capital assets:</i>	
Buildings	26,616,691
Improvements/infrastructure	2,758,339
Equipment	2,132,755
Total depreciable capital assets	31,507,785
 Less accumulated depreciation for:	
Buildings	10,120,393
Improvements/infrastructure	1,783,169
Equipment	1,509,477
Total accumulated depreciation	13,413,039
Total depreciable capital assets, net	18,094,746
Capital assets, net	\$ 20,821,766



GENTRY SCHOOL DISTRICT NO. 19  
BENTON COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
School Breakfast Program	10.553	0403		\$ 155,121
National School Lunch Program	10.555	0403		384,721
Total Arkansas Department of Education				539,842
Passed Through Arkansas Department of Human Services:				
National School Lunch Program (Note 3)	10.555	0403000		48,256
TOTAL CHILD NUTRITION CLUSTER				588,098
 <b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
Fresh Fruit and Vegetable Program	10.582	0403		18,646
 <u>National Endowment for the Arts</u>				
Passed Through Department of Arkansas Heritage - Arkansas Arts Council:				
Promotion of the Arts - Partnership Agreements	45.025	0403		140
 <u>U. S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title I Grants to Local Educational Agencies	84.010	0403		409,919
Special Education - Grants to States	84.027	0403		311,600
English Language Acquisition State Grants	84.365	0403		923
Supporting Effective Instruction State Grant	84.367	0403		58,066
Total U. S. Department of Education				780,508
TOTAL OTHER PROGRAMS				799,294
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 1,387,392

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 Gentry School District No. 19 (District) under programs of the federal government for the year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 4: The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5: During the year ended June 30, 2017, the District received Medicaid funding of \$95,044 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.



GENTRY SCHOOL DISTRICT NO. 19  
BENTON COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

**2017-001. Internal Control**

Criteria or specific requirement: 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, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions in the financial statements.

Condition: 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 statements would not be prevented, or detected and corrected on a timely basis. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting. Specifically, certain key weaknesses included the following: the same employee receipts revenues, prepares deposits, performs bank reconciliations, and maintains accounting records without adequate compensating controls. This employee can also add new employees, create payroll changes, and prepare payroll checks without adequate compensating controls. Another employee, who has access to vendor files, processes invoices and prepares checks without adequate compensating controls. In addition, multiple employees have System Administrator access for Accounts Receivable and Cash Receipts, Fixed Assets, Human Resources, Security, and System Management packages in the Arkansas Public School Computer Network (APSCN) without adequate compensating controls.

Context: 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.

Effect: 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 above internal control component.

Cause: 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.

Recommendation: 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.

Views of responsible officials and planned corrective actions: We concur with the recommendation and will continue to implement corrective procedures to the extent possible as governed by logistical and fiscal restraints.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.



# Gentry Public Schools



Terrie Metz, Superintendent  
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## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

### FINANCIAL STATEMENT FINDINGS

#### 2016 - Finding 2016-001: Internal Control

##### Condition:

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 statements would not be prevented, or detected and corrected on a timely basis. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting. Specifically, certain key weaknesses included the following: the same employee receipts revenues, prepares deposits, performs bank reconciliations and maintains accounting records without compensating controls. This employee can also add new employees, create payroll changes, and prepare payroll checks without compensating controls. In addition, another employee, who has access to vendor files, processes invoices and prepares checks without compensating controls.

##### Current Status:

Areas involving lack of segregation of financial accounting duties had not yet been addressed by the District. See finding 2017-001 at Schedule 3.

*The mission of the Gentry School District is to work with the community in providing safe and successful experiences for each student.*



# Gentry Public Schools



Terrie Metz, Superintendent

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Gentry, Arkansas 72734

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## 2015 - Finding 2015-001: Internal Control

### Condition:

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 statements would not be prevented, or detected and corrected on a timely basis. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting. Specifically, certain key weaknesses included the following: the same employee receipts revenues, prepares deposits, performs bank reconciliations and maintains accounting records without compensating controls. This employee also can add new employees, create payroll changes, and prepare payroll checks without compensating controls. In addition, another employee, who has access to vendor files, processes invoices and prepares checks without compensating controls.

### Current Status:

Areas involving lack of segregation of financial accounting duties had not yet been addressed by the District. See finding 2017-001 at Schedule 3.

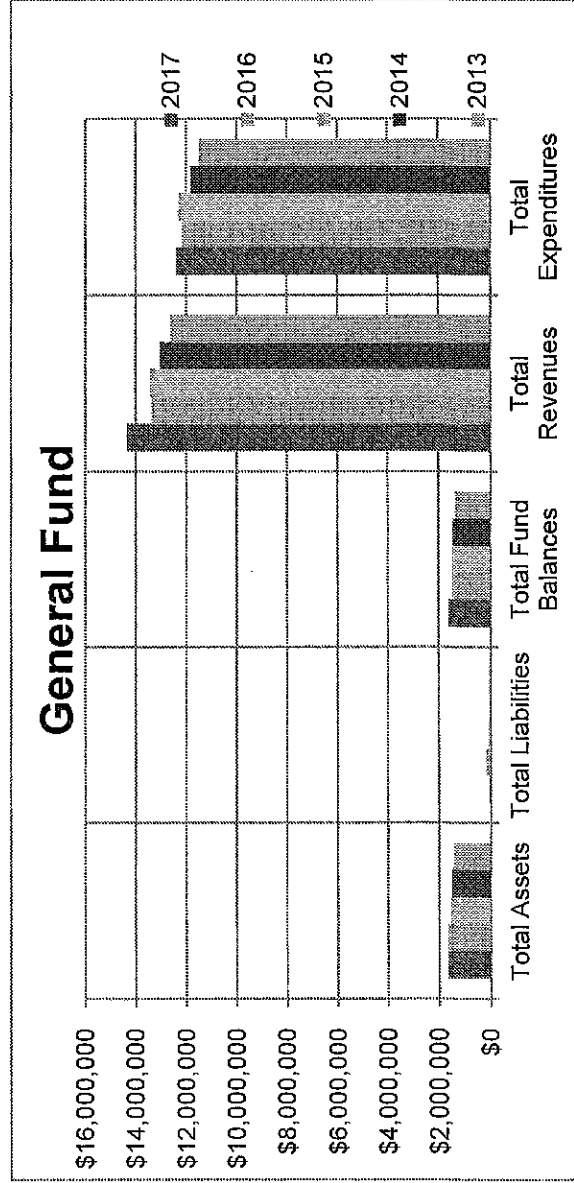
## FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

*The mission of the Gentry School District is to work with the community in providing safe and successful experiences for each student.*

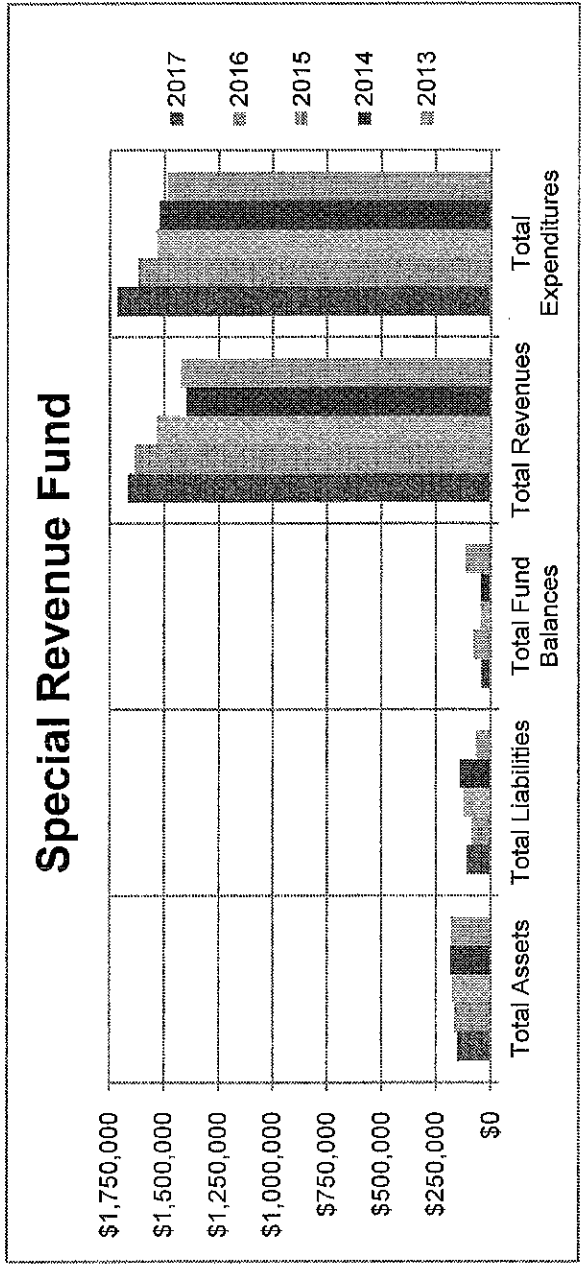
GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017  
 (Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
<b>General Fund</b>					
Total Assets	\$ 1,679,741	\$ 1,660,134	\$ 1,564,066	\$ 1,527,242	\$ 1,440,655
Total Liabilities	42,676	177,685	95,907	34,743	53,750
Total Fund Balances	1,637,065	1,482,449	1,468,159	1,492,499	1,386,905
Total Revenues	14,340,166	13,358,385	13,406,125	13,043,773	12,597,244
Total Expenditures	12,416,484	12,145,745	12,302,286	11,838,448	11,487,846
Total Other Financing Sources (Uses)	(1,769,066)	(1,198,350)	(1,128,179)	(1,099,731)	(1,479,929)



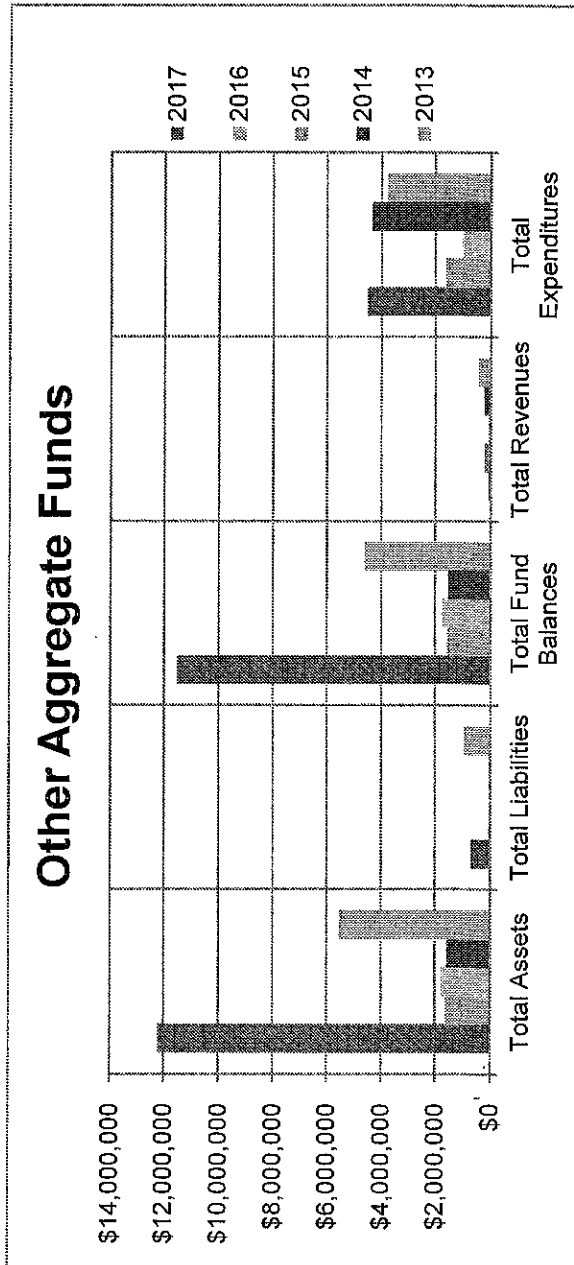
GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017  
 (Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
<b>Special Revenue Fund</b>					
Total Assets	\$ 151,095	\$ 161,933	\$ 170,155	\$ 182,709	\$ 176,347
Total Liabilities	108,561	84,867	124,761	138,182	66,013
Total Fund Balances	42,534	77,066	45,394	44,527	110,334
Total Revenues	1,664,368	1,634,713	1,532,486	1,398,110	1,420,993
Total Expenditures	1,714,180	1,618,489	1,535,143	1,521,351	1,482,566
Total Other Financing Sources (Uses)	15,280	15,448	3,524	57,434	35,514



GENTRY SCHOOL DISTRICT NO. 19  
 BENTON COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2017  
 (Unaudited)

	Year Ended June 30,				
	2017	2016	2015	2014	2013
<b>Total Assets</b>	\$ 12,202,622	\$ 1,609,236	\$ 1,756,126	\$ 1,569,952	\$ 5,516,610
<b>Total Liabilities</b>	689,785	52,020	7,995	48,083	926,226
<b>Total Fund Balances</b>	11,512,837	1,557,216	1,748,131	1,521,869	4,590,384
<b>Total Revenues</b>	91,080	220,174	72,804	230,532	425,750
<b>Total Expenditures</b>	4,489,245	1,593,991	977,667	4,341,344	3,750,960
<b>Total Other Financing Sources (Uses)</b>	14,353,786	1,182,902	1,131,125	1,042,297	4,449,719





# 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

March 23, 2018

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

We have audited the regulatory basis financial statements of each major governmental fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2017, and have issued our report thereon dated March 1, 2018. Ark. Code Ann. § 6-1-101(d) requires the District's board or governing body to review the audit report and any accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the audit report if the audit report is received by the board or governing party prior to 10 days before the regularly scheduled meeting. If the audit report is received by the board or governing body within 10 days before a regularly scheduled meeting, the audit report may be reviewed at the next regularly scheduled meeting after the 10 day period. The aforementioned Code also requires the board or governing body to take appropriate action relating to each finding and recommendation contained in the audit report and also requires documentation of this review and the action taken by the board or governing body in the minutes of the board or governing body. Audit findings are disclosed on page 25 in the enclosed audit report. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, *Government Auditing Standards*, and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you dated October 16, 2017. Professional standards also require that we provide you with the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

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

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

#### *Difficulties Encountered in Performing the Audit*

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

#### *Corrected and Uncorrected Misstatements*

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

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

*Disagreements with Management*

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

*Management Representations*

We have requested certain representations from management that are included in the Management Representation Letter dated March 1, 2018.

*Management Consultations with Other Independent Accountants*

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

*Other Audit Findings or Issues*

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

*Other Matters*


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

We were not engaged to report on the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years, which accompany the financial statements but are not required supplementary information. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

*Restriction on Use*

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

ARKANSAS LEGISLATIVE AUDIT



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

# Arkansas

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Senate Chair  
**Sen. Lance Eads**  
Senate Vice Chair



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House Chair  
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House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

**TO:** Auditee

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

**DATE:** March 26, 2018

**SUBJECT:** Legislative Joint Auditing Committee Review Of:  
  
Gentry School District of Benton County  
June 30, 2017

This letter replaces the previously mailed early release letter dated March 23, 2018 which was in error. Sorry for any inconvenience this may have caused.

With the approval of the Chairs of the Legislative Joint Auditing Committee, we are early releasing the report listed above on March 28, 2018. This report will be presented at a future meeting of the Standing Committee on Educational Institutions at the call of the Chairs. You will be notified of the meeting date.

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

**RECEIVED**  
**MAR 29 2018**  
**GENTRY PUBLIC SCHOOLS**