

FORT SMITH SCHOOL DISTRICT #100
FINANCIAL STATEMENTS
JUNE 30, 2014



FORT SMITH SCHOOL DISTRICT #100

JUNE 30, 2014

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Independent Auditor's Report

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major funds, and aggregate remaining fund information of the **Fort Smith School District #100 (the District)** as of and for the year ended **June 30, 2014**, and the related notes to the financial statements, which collectively comprise the District's basic 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 accounting principles generally accepted in the United States of America; this includes 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 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 entity'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 entity'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.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major funds, and the aggregate remaining fund information of the **Fort Smith School District #100**, as of **June 30, 2014**, and the respective changes in financial position of those activities and funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Fort Smith School District #100** financial statements. The schedule of expenditures of state awards, school lunch fund information, and the schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations are presented for the purposes of additional analysis and are not a required part of the financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the schedule of expenditures of state awards, school lunch fund information, and the schedule of

expenditures of federal awards are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2014, on our consideration of the District's internal control over financial reporting and 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 the 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 30, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORT SMITH PUBLIC SCHOOL DISTRICT MANAGEMENT DISCUSSION AND ANALYSIS Year Ended June 30, 2014

This section of the Fort Smith Public School District's annual financial report provides an overall review of the District's financial performance for the fiscal year ended June 30, 2014. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights and Overall Analysis

- Total general revenues increased by \$7.2 million or 5.2% during the year ending on June 30, 2014. Expenses for various programs and operations increased by \$4.7 million or 3.3%. Although the increase in revenue exceeded the increase of expenses by \$2.5 million dollars, the fiscal year still ended with an overall decline of \$1.3 million (compared to a decline in net position of \$3.9 million last year).
- The staffing changes were associated with the increase in student population and the continuing emphasis upon addressing the learning needs of struggling students. An after-school initiative to target students whose academic performance is not proficient involved a number of staff who were provided additional compensation based upon extended service.
- The Fort Smith Public Schools continued to reflect a percentage of students qualifying for free or reduced price meals which qualify the district for categorical funding to address the needs of economically disadvantaged students. The 2013-2014 percentage of more than 71% continued funding at the second tier of the state's National School Lunch Act (NSLA) formula. These funds provide for instructional staff, technology, support personnel and other services to help provide equitable opportunities for all students.
- Facility improvements at Woods Elementary School and Northside High School were substantially completed during the year. Additions were begun at Darby Junior High School and Morrison Elementary School. These projects will be complete in 2015.
- Funding received previously in the form of Qualified Zone Academy Bonds (QZAB) continued to support facility improvement projects on several campuses. These campuses include twelve elementary schools, three junior high schools and one high school.
- The District has continued to refinance outstanding bond issues when they are eligible in order to take advantage of favorable interest rates. This action will result in interest savings during the future term of the bonds. Revised reporting regulations have resulted in continuing financial disclosures and other changes which are reflected in the bond schedules.
- Assessed valuation has continued to languish despite significant new construction and other favorable economic indicators during the year. Since 2013-2014 was in the midst of a reassessment cycle, any assessment growth resulting from improving property values on existing parcels will be realized during future years. The effects of frozen assessments for those homeowners over age 65 continue to depress assessment levels.
- Most federal education programs experienced a restoration of the previously implemented sequestration. However, the funds reduction associated with the direct payment of interest on Qualified School Construction Bonds (QSCB) authorized by the American Recovery and Reinvestment Act is apparently permanent. This will require additional debt service payments above those anticipated. Despite the reduction, these issues are still favorable in addressing facility needs.
- A renewal of the flexibility waiver submitted by the Arkansas Department of Education relative to certain provisions of the Elementary and Secondary Education Act (No Child Left Behind) has not been approved by the U. S. Department of Education. However an extension of the existing provisions has been temporarily approved. This process is very important, since more than \$1 million annually is made available to support supplemental instruction for FSPS students through this action.
- The growth in student enrollment during 2013-2014 was the highest one-year increase which has been experienced during the past decade. Although growth has been irregular during the past, the cumulative effects have presented challenges in terms of space and staffing.

The Fort Smith Public School District's overall financial position remains stable. Increases in enrollment have been accompanied with a small growth in revenue from state funds. While federal revenue has not increased in total, any categorical decreases have been relatively small.

Using the Basic Financial Statements

The basic financial statements are comprised of two distinct series of financial statements, district-wide and fund. The differences between district-wide and fund financial statements are attributable to the accrual basis of accounting versus the modified accrual basis of accounting and are reconciled on pages 15 and 17. Some of the significant differences between these two bases of accounting are accounting for long-term debt balances, proceeds, and repayment; and capitalization and depreciation of fixed assets.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major funds", not the District as a whole. These statements are presented using a current financial resource basis, which measures the District's ability to finance current expenditures, including capital outlay, from current resources. The Balance Sheet on page 14 and the Statement of Revenues, Expenditures and Changes in Fund Balance on page 16 report how services were financed in the short-term as well as what remains for future spending. Fort Smith Public Schools' major funds are the general, debt service, and capital projects funds. All other funds are presented as one column under other governmental funds.

District-Wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position presented on page 12 includes all of the District's assets and liabilities, and the Statement of Activities on page 13 presents all of the current year's revenues and expenses regardless of when cash is received or paid. The two district-wide statements report the District's net position and how they have changed during the fiscal year. Net position and improvement or deterioration in the net position are factors in measuring the District's financial health or position. To assess the District's overall health, several additional factors such as changes in property tax base, state legislative changes, changing enrollment demographics, and the condition of school facilities must be considered.

Financial Analysis of District-Wide Financial Statements

Net assets of the District on June 30, 2014, of \$98.4 million reflect the excess of assets over liabilities. The Statement of Net Position (formally named Statement of Net Assets) presented on page 12 reflects the details, while the following is a summarized comparison for analysis.

Table 1-1 on the next page reflects improvement in the financial position of the District with a 1.3% or \$1.3 million decrease in total net position. Decreases are reflected in both the restricted and unrestricted net position while the investment in capital assets decreased. The continued net spending in capital assets by the District in new buildings, renovations and new equipment did not exceed the additional debt added resulting in a net decrease of \$4.1 million. Restricted net position increased by a net of \$1.4 million because of sinking funds obligations paid. The increase in undesignated net position of \$1.4 million at the end of the period is primarily due to fixed assets paid during the period from funds other than the capital project fund.

Table 1-1
Fort Smith Public School District
Condensed Statement of Net Position (in millions of dollars)

	Governmental Activities			
	2014	2013	\$ of Change	% of Total Change
Current Assets	\$38.3	\$37.9	\$0.4	4.8%
Capital Assets	150.2	142.2	8.0	95.2%
Total Assets	<u>188.5</u>	<u>180.1</u>	<u>8.4</u>	<u>100.0%</u>
Current Liabilities	9.9	7.9	2.0	20.6%
Non-current Liabilities	80.2	72.5	7.7	79.4%
Total Liabilities	<u>90.1</u>	<u>80.4</u>	<u>9.7</u>	<u>100.0%</u>
Net Assets:				
Invested in Capital Assets, net of related debt	82.2	86.3	-4.1	315.4%
Restricted Net Position	3.6	2.2	1.4	-107.7%
Unrestricted Net Position	12.6	11.2	1.4	-107.7%
Total Net Position	<u>\$98.4</u>	<u>\$99.7</u>	<u>-\$1.3</u>	<u>100.0%</u>

The information in Table 1-2 (on the next page) from the Statement of Activities is in a slightly different format to allow users to see total revenues and expenses for the years ended June 30, 2014 and 2013.

The results of this year's operations as a whole are reported in the Statement of Activities on page 13. Total expenses are reported in the first column of this report and are reduced by specific charges and grants that directly relate to specific expense categories to yield the final amount of the District's activities that are supported by other general revenues. The District's total revenues increased by 5.2% or \$7.2 million, and total expenses increased by 3.3% or \$4.7 million for the year ended June 30, 2014.

As reflected in the Statement of Activities, the expenses of the District's governmental activities of \$146.5 million are not all borne by the taxpayers. Of this amount, \$1.6 million was paid by patrons who used or benefited from the services rendered, (e.g., charges for school lunches) and \$36.8 million was paid through various federal and categorical state grants. Consequently, after taking into consideration these fees and grants, the net cost of the District's programs of \$108.1 million, an increase of 0.8%, was paid from general revenues. Local property taxes assessed to community taxpayers and the state formula aid provide most of the District's general revenue, with each contributing about 47% and 51% respectively. Increases in total revenues were caused by increased program funds of \$3.9 million and an increase in general revenues of \$3.3 million. The majority of the increase in general revenues is an increase of unrestricted grants and contributions of \$2.2 million.

Additions to total expenses of \$3.2 million were the result of salary increases and additional staff. All of these increases were distributed throughout most of the functional categories. The other significant increase in total expenses came from Other Expenses where interest of long-term debt and depreciation are recorded.

Table 1-2
Fort Smith Public School District
Condensed Statement of Activities and Change in Net Assets
(in millions of dollars)

	Governmental Activities			
	2014	2013	\$ of Change	% of Total Change
Program Revenues:				
Charges for services	\$1.6	\$1.7	-\$0.1	-1.4%
Operating grants and contributions	36.8	32.8	4.0	55.6%
General Revenues:				
Property taxes	50.6	49.7	0.9	12.4%
Unrestricted grants and contributions	54.8	52.7	2.1	29.2%
Investment earnings	1.2	0.9	0.3	4.2%
Insurance recoveries	0.1	0.1	0.0	0.0%
Miscellaneous	0.0	0.0	0.0	0.0%
Total Revenue	145.1	137.9	7.2	100.0%
Expenses				
Instruction	77.5	74.6	2.9	61.7%
Student and instructional support	23.0	22.9	0.1	2.1%
Administration and business support	11.2	11.0	0.2	4.3%
Operations and maintenance	15.2	15.0	0.2	4.3%
Student transportation	2.9	2.9	0.0	0.0%
Food service	7.3	7.3	0.0	0.0%
Other	9.4	8.1	1.3	27.6%
Total Expense	146.5	141.8	\$4.7	100.0%
Increase (decrease) in Net Position	-1.4	-3.9		
Beginning Net Position (with transitional rounding)	99.7	103.6		
Ending Net Position	\$98.3	\$99.7		

Table 1-3 on the next page shows the total program cost and the net cost (after deductions for services and grant revenue) of the various functional categories of expenses for the years ended June 30, 2014 and 2013. The "net cost" presentation reflects the portion of total program cost that is ultimately borne by the District's taxpayers. This allows the taxpayer the opportunity to compare the cost of each function to the perceived benefits received.

This impact is better demonstrated in this presentation because it more clearly presents the effects of categorical funding. Instruction and Student and instructional support functions show significant reductions from Total Program Cost to Net Program Cost as a direct result of the special categorical funding received. This presentation also indicates that while total cost increased by \$4.7 million, net costs increased by only \$0.8 million. This net cost increase is caused by the Other expense category which reflects moderate program revenue growth that could not overcome the increase cost of debt service interest.

Table 1-3
Fort Smith Public School District
Condensed Schedule of Total and Net Program Cost
(in millions of dollars)

	Total Program Cost				Net Program Cost			
	2014	2013	\$ of	% of Total	2014	2013	\$ of	% of Total
			Change	Change			Change	Change
Expenses								
Instruction	\$77.5	\$74.6	\$2.9	61.7%	\$59.4	\$56.3	\$3.1	387.5%
Student and instruction support	23.0	22.9	0.1	2.1%	13.5	16.7	-3.2	-400.0%
Administration & business support	11.2	11.0	0.2	4.3%	11.2	10.9	0.3	37.5%
Operations and maintenance	15.2	15.0	0.2	4.3%	15.1	14.9	0.2	25.0%
Student transportation	2.9	2.9	0.0	0.0%	1.3	1.6	-0.3	-37.5%
Food service	7.3	7.3	0.0	0.0%	0.2	0.3	-0.1	-12.5%
Other	9.4	8.1	1.3	27.6%	7.4	6.6	0.8	100.0%
	<u>\$146.5</u>	<u>\$141.8</u>	<u>\$4.7</u>	<u>100.0%</u>	<u>\$108.1</u>	<u>\$107.3</u>	<u>\$0.8</u>	<u>100.0%</u>

Financial Analysis of Fund Financial Statements

The District uses fund accounting to control and manage money for particular purposes (e.g. dedicated taxes and bond proceeds). These fund accounting financial statements are prepared using the modified accrual basis of accounting and allow the District to demonstrate its stewardship over, and accountability for, resources provided by taxpayers and other entities. These statements also allow the reader to obtain additional insight into the financial workings of the District and further assess the District's financial health on a current basis.

Table 1-4
Fort Smith Public School District
Schedule of Changes in Fund Balances
(in millions of dollars)

	Fund Balances			
	2014	2013	\$ of	% of
			Change	Total
			Change	Change
General Fund	\$11.9	\$11.4	\$0.5	-33.3%
Debt Service Fund	3.8	2.3	1.5	-100.0%
Capital Projects Fund	12.9	17.2	-4.3	286.6%
Other Governmental Funds	4.9	4.1	0.8	-53.3%
	<u>\$33.5</u>	<u>\$35.0</u>	<u>-\$1.5</u>	<u>100.0%</u>

On June 30, 2014, the District governmental funds reported a combined fund balance of \$33.5 million, which is a decrease of \$1.56 million from June 30, 2013 balances. Table 1-4 above presents the changes in the major fund balances of the District.

The increase in the Debt Service Fund is a direct result of the sinking fund required for the repayment of the Qualified Zone Academy Bonds and Qualified School Construction Bonds. Information regarding the outstanding debt and the related annual debt service requirements may be found on pages 26-27 in the notes to the financial statements.

The Capital Projects Fund Balance decreased as bonds that were sold in previous years were expended to support projects completing construction in the current year. The ability to make significant facility improvements in the future will require revenue which cannot be provided using the current tax rate. The FSPS *ad valorem* tax rate is the lowest of any of Arkansas' large school districts and it is becoming more difficult to remain competitive with comparable school districts which have significantly more resources. Only by using a number of creative financing tools has FSPS been able to keep existing facilities in good repair.

General Fund Budgetary Highlights

Arkansas Code Annotated §6-20-2202 states that each school district of the state shall prepare annually a budget of expenditures and receipts, which shall be filed with the Arkansas Department of Education (ADE) in an electronic format. Although no provision currently exists for revisions to be submitted to the ADE, over the course of the year, management reviews the District's budget, taking into consideration unexpected changes in revenue and expenditures. The District's Board approved the original budget in a legally held meeting on August 26, 2013.

A schedule showing the General Fund's original budget compared with actual operating results (on a budgetary basis) is provided in this report on page 32.

While the District's budget anticipated a deficit originally, the actual results for the year show that the deficit was erased by a number of factors. This favorable outcome is reflected in two categories.

Total favorable revenue variances of \$0.7 million were due to unanticipated revenues in Contributions, Other local revenue and State assistance. This favorable increase allowed the District to increase Operating transfers \$0.4 million above budget.

In addition to the total favorable revenue variances, there was a total favorable expenditure variance of \$3.2 million. Individually, expenditure variances were favorable in categories such as Regular programs and Support services.

Overall, the District was successful in matching revenues to expenditures and maintaining the fiscal integrity of the budget by keeping the fund balance practically unchanged from the prior year.

Capital Assets and Debt Administration

Capital Assets

As reflected on Table 1-5 on the next page, the District had \$150.0 million (net of accumulated depreciation) on June 30, 2014 invested in a broad range of capital assets, including land, buildings, furniture, buses and vehicles, computers, and other equipment. Significant additions during the year were made to Woods Elementary School. School renovation projects were in various stages of completion throughout the District. During the current fiscal year, \$15.1 million in assets were capitalized. Depreciation expense for the years ending June 30, 2014 and 2013 amounted to \$8.0 million and \$7.6 million respectively.

Table 1-5
Fort Smith Public School District
Condensed Schedule of Capital Assets Net of Depreciation
(in millions of dollars)

	2014	2013	\$ of Change	% of Total Change
Land	\$6.9	\$6.8	\$0.1	1.3%
Land Improvements	3.2	3.4	-0.2	-2.6%
Construction in Progress	12.0	13.0	-1.0	-12.8%
Buildings and Improvements	111.7	102.1	9.6	123.1%
Furniture, Fixtures and Equipment	14.7	15.5	-0.8	-10.3%
Vehicles	1.5	1.4	0.1	1.3%
	<u>\$150.0</u>	<u>\$142.2</u>	<u>\$7.8</u>	<u>100.0%</u>

Long-Term Debt

On June 30, 2014, the District had outstanding long-term debt of \$85.8 million compared to \$78.1 million on June 30, 2013. Issuance of new long-term debt for \$18.4 million and increases in compensated absences for \$0.5 million comprise the additions to long-term debt. The repayments to bonded and other long-term debt made during the year were \$10.7 million, and compensated absences paid to employees were \$0.3 million.

Although it has grown significantly in the last few years, the debt of Fort Smith Public Schools continues to be at a low level. The current level of the long-term debt of \$85.8 million represents approximately two-thirds the ratio average for Arkansas school districts. FSPS debt is among the lowest of school districts in the area. The issuance of second lien bonds, Qualified Zone Academy Bonds and planned restructuring of existing debt uses a mix of financing measures to effectively keep debt low while addressing facility needs.

Additional information regarding the District's long-term debt can be found in Note 7 on pages 26-27.

Economic Factors and Next Year's Budget

Steady improvement to the Arkansas revenue picture during the past several years should continue in the future. As revenue forecasts issued by the Department of Finance and Administration are met or exceeded, the need to reduce funding for schools should be avoided.

However, the 2014-15 year coincides with the biennial adequacy determination by the Arkansas General Assembly and action on funding levels which will be effective for the 2015-2017 biennium. Preliminary results of the adequacy studies prepared by the Bureau of Legislative Research indicate that patterns of overall spending under the adopted Foundation Funding matrix is within .28% of the allotted amount.

Concerns for the future involve suggestions to increase mandated services without including sufficient funds to cover added costs. Action by the General Assembly and the Employee Benefits Division which become effective in 2014-2015 will divert revenues which are currently committed to support salaries and benefits directly to EBD to bolster the school employee health insurance plans.

Results of the 2014 election will bring many new members to the General Assembly as well as a new Governor. These unknowns will present a level of uncertainty to the legislative process which has a tremendous impact on the ability of Arkansas schools to respond to student needs.

The absence of a knowledge base among the legislative and executive branches concerning the many issues associated with adequacy may make the short-term future challenging. When the impact of this transition is felt through changes in the Arkansas Department of Education staff, the stability which has characterized Arkansas schools in the immediate past may be absent in the future.

Addressing facility needs in the Fort Smith Public Schools represents a continuous process. While the Board of Education has been engaged in planning for long-term facility needs for several years, the importance of keeping existing facilities in safe, efficient and aesthetically pleasing condition is a high priority. There can be no retreat from facility maintenance if FSPS is to continue as the education provider of choice.

Each year makes keeping pace with 21st Century needs on the existing tax rate more difficult. The low rate of property taxes enjoyed by local citizens is without precedent—especially in view of the fact that the rate of tax has not changed since 1987.

The Board of Education adopted the 2014-2015 budget on August 25, 2014. Revenue and other resources are projected to total \$149.9 million while expenditures should total \$162.7 million as funds devoted to scheduled capital expenditures are depleted. The operating budget is substantially unchanged for 2014-2015.

The growth in student population for 2014-2015 is negligible in keeping with the slow and steady patterns of the past several years. Projections indicate that this trend is likely to continue—without presenting sharp increases or declines for the next decade.

At the time these financial statements were prepared and audited, the District was aware of several factors which could affect its financial health in the future:

- Changes in state funding policies which restrict more of the Foundation Aid while failing to increase this aid in amounts sufficient to address increased operating costs could make it necessary for the District to reduce expenses through staff attrition.
- The uncertainty associated with the Congressional inaction relative to reauthorizing the Elementary and Secondary Education Act makes planning to implement long-term instructional changes difficult. Should the Act be reauthorized in a new format, it is conceivable that the focus of programs to address struggling learners will be changed and may require a realignment of resource allocation.
- The process of grading schools, classifying them relative to test data, and imposing sanctions for low performance can have an effect should targeted schools lose students through proposed choice options. Any state-supported educational effort which competes with local schools can erode student population among high achievers to the detriment of the District educationally and financially.
- Failure to secure assistance through the Facilities Partnership Funding program will require that local taxpayers bear the entire burden of facility improvement. Associated with this issue is the uncertainty of funding for school facilities throughout Arkansas under a new Legislative and Executive structure.
- Tax cuts affecting state general revenue which were approved during the 2013 legislative session and which become fully effective in 2015 when combined with promised tax cuts by the new legislature can jeopardize the stability of school funds to the detriment of school programs.

Contacting the District's Financial Management Official

While this Management Discussion and Analysis is designed to provide a general overview of the financial condition and operations of the District, citizen groups, taxpayers, parents, students, investors or creditors may want further details. To obtain such details, please contact Charles Warren, Director of Financial Services or Benny L. Gooden, Superintendent of Schools at the Fort Smith Public Schools, 3205 Jenny Lind, P.O. Box 1948, Fort Smith, AR 72902 or by calling (479) 785-2501 during regular office hours or via e-mail at cwarren@fortsmithschools.org or bgooden@fortsmithschools.org.

FINANCIAL STATEMENTS

FORT SMITH SCHOOL DISTRICT #100

Statement of Net Position

AS OF JUNE 30, 2014

Assets	Governmental Activities	
	2014	2013
Current Assets:		
Cash and temporary investments	\$ 31,707,961	\$ 31,111,534
Receivables:		
Intergovernmental	5,643,698	5,546,020
American Recovery & Reinvestment Act	-	125,481
Other	62,567	16,727
Inventories, at cost	736,606	840,167
Prepaid items	95,857	259,880
Total Current Assets	38,246,689	37,899,809
Noncurrent Assets:		
Capital Assets:		
Land	6,946,025	6,775,344
Land improvements	5,438,393	5,438,393
Building and improvements	170,381,967	155,877,236
Furniture, fixtures, and equipment	37,311,765	36,440,788
Vehicles	6,963,533	6,387,974
Construction in process	12,023,306	12,970,045
Less accumulated depreciation	(88,853,859)	(81,727,490)
Capital Assets-Net	150,211,130	142,162,290
Total Assets	188,457,819	180,062,099
Deferred Outflows		
Bond issue costs, net of amortization	-	441,333
Deferred loss on refunding, net of amortization	321,863	240,133
Total Deferred Outflows	321,863	681,466
Liabilities		
Current liabilities:		
Accounts payable	2,833,853	1,027,623
Payroll withholdings	1,772,448	1,838,965
Due to participants/vendors	46,379	38,350
Current portion of long-term debt	4,210,511	3,983,299
Accrued interest	746,186	643,732
Compensated absences	260,000	325,000
Total Current Liabilities	9,869,377	7,856,969
Noncurrent liabilities:		
Bonds and notes payable, net of unamortized bond discounts	76,034,166	68,953,429
Compensated absences	4,537,208	4,186,368
Total Noncurrent Liabilities	80,571,374	73,139,797
Total Liabilities	90,440,751	80,996,766
Net Position		
Net investment in capital assets	82,160,805	86,297,801
Restricted for:		
Encumbrances	469,434	579,181
Debt service	3,103,101	1,627,179
Unrestricted:		
Designated for insurance deductibles	200,000	200,000
Designated for unemployment benefits	500,000	500,000
Undesignated	11,905,591	10,542,638
Total Net Position	\$ 98,338,931	\$ 99,746,799

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2014

	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	2014	2013
Governmental Activities					
Instruction:					
Regular programs	\$ 53,048,868	\$ 85,630	\$ 4,290,607	\$ (48,672,631)	\$ (49,685,417)
Special education	9,909,037	-	4,238,123	(5,670,914)	(5,591,684)
Vocational education	3,075,497	-	236,128	(2,839,369)	(2,741,896)
Adult education	1,471,093	-	1,389,437	(81,656)	(106,855)
Compensatory education	5,647,917	-	5,679,647	31,730	825,976
Other instructional programs	4,351,952	82,300	2,049,841	(2,219,811)	983,167
Support services:					
Student	9,553,862	-	2,588,639	(6,965,223)	(7,149,137)
Instructional	13,465,315	-	6,932,630	(6,532,685)	(9,524,895)
General administration	990,969	-	6,208	(984,761)	(989,184)
School administration	7,887,842	-	59,317	(7,828,525)	(7,556,435)
Business	2,358,530	-	12,019	(2,346,511)	(2,387,689)
Operation and maintenance of plant	15,182,827	-	75,814	(15,107,013)	(14,946,961)
Student transportation	2,868,504	71,429	1,488,984	(1,308,091)	(1,583,021)
Central	3,792	-	119,799	116,007	78,674
Other	56,970	-	-	(56,970)	(207,060)
Community services	753,541	204,368	654,330	105,157	273,471
Food service	7,342,526	1,183,254	6,004,807	(154,465)	(285,578)
Facilities acquisition and construction		-	741,606	741,606	508,586
Interest and fees on long-term debt	3,174,751	-	36,199	(3,138,552)	(2,415,504)
Indirect cost	197,469	-	197,469	-	-
Depreciation - unallocated	5,173,553	-	-	(5,173,553)	(4,835,254)
Total Governmental Activities	146,514,815	1,626,981	36,801,604	(108,086,230)	(107,336,696)
Total Primary Government	\$ 146,514,815	\$ 1,626,981	\$ 36,801,604	(108,086,230)	(107,336,696)
General Revenues:					
Property taxes levied for:					
General purpose				50,561,385	49,652,334
Grants and contributions not restricted to specific programs				54,833,524	52,748,812
Investment earnings				1,192,842	985,101
Insurance recoveries				94,906	68,511
Miscellaneous				19,910	19,538
Loss on asset disposal				(24,205)	(36,837)
Transfers				-	-
Total General Revenues and Transfers				106,678,362	103,437,459
Change in Net Position				(1,407,868)	(3,899,237)
Net Position at Beginning of Year				99,746,799	103,646,036
Net Position at End of Year				\$ 98,338,931	\$ 99,746,799

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2014

	General Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 10,873,587	\$ 3,849,287	\$ 14,641,747	\$ 2,343,340	\$ 31,707,961
Receivables:					
Intergovernmental	2,178,892	-	753,055	2,711,751	5,643,698
Other	22,069	-	-	40,498	62,567
Inventories, at cost	627,737	-	-	108,869	736,606
Prepaid items	95,857	-	-	-	95,857
Total Assets	\$ 13,798,142	\$ 3,849,287	\$ 15,394,802	\$ 5,204,458	\$ 38,246,689
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 46,562	\$ -	\$ 2,447,395	\$ 339,896	\$ 2,833,853
Payroll withholdings	1,772,448	-	-	-	1,772,448
Due to participants/vendors	46,379	-	-	-	46,379
Total Liabilities	1,865,389	-	2,447,395	339,896	4,652,680
Fund Balances					
Nonspendable	723,594	-	-	108,869	832,463
Spendable:					
Restricted	-	3,849,287	12,947,407	-	16,796,694
Assigned	1,045,952	-	-	4,755,693	5,801,645
Unassigned	10,163,207	-	-	-	10,163,207
Total Fund Balances	11,932,753	3,849,287	12,947,407	4,864,562	33,594,009
Total Liabilities and Fund Balances	\$ 13,798,142	\$ 3,849,287	\$ 15,394,802	\$ 5,204,458	\$ 38,246,689

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

AS OF JUNE 30, 2014

Total Fund Balances - Governmental Funds \$ 33,594,009

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$239,064,989 and the accumulated depreciation is \$88,853,859.

150,211,130

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable and QZABs	\$ (80,993,727)	
Accrued interest on bonds and QZABs	(746,186)	
Unamortized bond discounts	749,050	
Unamortized deferred loss on refinance of debt	321,863	
Compensated absences	(4,797,208)	(85,466,208)

Total Net Position - Governmental Activities \$ 98,338,931

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 50,561,385	\$ -	\$ -	\$ -	50,561,385
Tuition and services to other LEA	14,330	-	-	-	14,330
Meal sales	-	-	-	1,183,254	1,183,254
Interest	79,350	1,081,477	31,714	301	1,192,842
Contributions	128,084	-	-	-	128,084
Insurance recoveries	94,906	-	-	-	94,906
Other local revenues	342,190	-	-	204,367	546,557
State assistance	54,742,911	-	741,606	17,349,234	72,833,751
Unrestricted federal aid	19,910	-	-	-	19,910
Restricted federal aid	-	-	-	18,358,663	18,358,663
Total Revenues	105,983,066	1,081,477	773,320	37,095,819	144,933,682
Expenditures					
Current:					
Regular programs	48,145,723	-	-	4,227,595	52,373,318
Special education	6,871,794	-	-	3,034,195	9,905,989
Vocational education	2,773,385	-	-	237,188	3,010,573
Adult education	-	-	-	1,468,582	1,468,582
Compensatory education	3,476	-	-	5,398,583	5,402,059
Other instructional programs	978,722	-	-	3,294,021	4,272,743
Support services	40,280,398	-	-	10,115,129	50,395,527
Food service	-	-	-	7,263,156	7,263,156
Community services	35,137	-	160,505	554,157	749,799
Capital outlay	1,442,302	-	13,893,400	752,340	16,088,042
Debt service:					
Principal	-	2,190,991	-	-	2,190,991
Interest	-	2,460,891	-	-	2,460,891
Paying agent's fees	-	8,199	-	-	8,199
Total Expenditures	100,530,937	4,660,081	14,053,905	36,344,946	155,589,869
Excess of Revenues Over (Under) Expenditures					
	5,452,129	(3,578,604)	(13,280,585)	750,873	(10,656,187)
Other Financing Sources (Uses)					
Indirect cost reimbursement	197,469	-	-	(197,469)	-
Proceeds from issuance of debt	-	-	9,630,000	-	9,630,000
Bond issuance costs	-	(96,182)	-	-	(96,182)
Discount on sale of bonds	-	(278,493)	-	-	(278,493)
Operating transfers in	-	5,531,655	-	213,801	5,745,456
Operating transfers out	(5,167,480)	-	(577,976)	-	(5,745,456)
Total Other Financing Sources (Uses)	(4,970,011)	5,156,980	9,052,024	16,332	9,255,325
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses					
	482,118	1,578,376	(4,228,561)	767,205	(1,400,862)
Fund Balance at Beginning of Year	11,450,635	2,270,911	17,175,968	4,097,357	34,994,871
Fund Balance at End of Year	\$ 11,932,753	\$ 3,849,287	\$ 12,947,407	\$ 4,864,562	\$ 33,594,009

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2014

Total Net Change in Fund Balances - Governmental Funds \$ (1,400,862)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$8,015,008) is exceeded by capital outlays (\$16,088,042) in the period. 8,073,034

In the statement of activities, total interest expense is adjusted for the change between current year and prior year accrued interest which is shown on the statement of net assets. The current year adjustment is an increase to interest expense. (102,454)

Because more compensated absences were accrued during the year than were paid, a net increase in other long-term liabilities occurred. This is the amount by which compensated absences earned exceeded compensated absences paid. (285,840)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 2,190,991

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (9,630,000)

Bond discounts and deferred loss on refunding costs are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over the life of the bonds and is included as a component of interest expense. This is the amount by which amortization of bond discount costs and deferred loss on refunding (\$65,692) is exceeded by current year bond discounts and deferred loss on refunding costs (\$278,493). 212,801

Bond issue costs were previously allocated over the life of the bond. Due to the issuance of GASB Statement 65, issue costs are now expensed at the time they are incurred. This amount represents the remaining book value of prior issuance costs written off to interest and fees on long-term debt. (441,333)

The statement of activities reports a loss on disposal of assets which was due to writing-off the net book value of obsolete assets of the District. The loss on disposal is calculated as follows:

Cost of assets disposed	(912,844)
Accumulated depreciation of assets disposed	888,639

Change in Net Position of Governmental Activities \$ (1,407,868)

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Statement of Fiduciary Net Position

	STUDENT ACTIVITY FUND
Assets	
Current Assets	
Cash and cash equivalents	\$ 1,056,420
Total Assets	\$ 1,056,420
Liabilities	
Due to student groups	\$ 1,056,420
Total Liabilities	\$ 1,056,420

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity

The Fort Smith School District #100 (the District) is a political subdivision of the Arkansas Department of Education, governed by an elected seven-member school board. The statements reflect all funds and accounts directly under the control of the District. Using the criteria of financial accountability, there are no component units that should be included in the District's reporting entity.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are discussed below.

b. Basis of Presentation, Basis of Accounting, and Measurement Focus

The District's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net position and the statement of activities show information about the overall financial position and activities of the school district with the exception of the student activity fund.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows takes place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The statement of activities present a comparison between direct expenses and program revenues for each each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges by a given function or activity. In addition, program revenues include grant and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation, Basis of Accounting, and Measurement Focus (continued)

Fund Financial Statements - These statements provide information about the District's funds, including a separate statement for the District's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. Any remaining would be aggregated and reported in a single column as other governmental funds.

The District has the following fund types:

Governmental funds are used to account for the District's general governmental activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, state assistance and federal aid are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The debt service fund accounts for the servicing of general long-term debt not being financed by nonexpendable trust funds.

The capital projects fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by nonexpendable trust funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

1. Summary of Significant Accounting Policies (continued)

c. Assets, Liabilities and Equity

Deposits and investments

The District's cash and temporary investments are considered to be cash on hand, demand deposits, certificates of deposit and U.S. Treasury Bills. Temporary investments are stated at cost which approximates market value.

Arkansas State Statutes also authorize the District to invest in general obligation bonds of the United States, in bonds, notes, debentures, or other obligations issued by an agency of the United States government and in general obligation bonds of the State of Arkansas.

The Statutes require that deposits of school funds be in banks and secured in an amount equal to the deposits. The security must be provided by general obligation bonds of the United States, bonds, notes, debentures, or other obligations issued by an agency of the United States Government, bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations or by a bond executed by a surety company authorized to do business in the State of Arkansas. The Director of Education must approve the surety company.

Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventories of supplies on the balance sheet are stated at average cost, while inventories of food commodities are recorded at market values. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Arkansas Department of Human Services and recorded as inventory and donated commodities when received. Inventories also include plant maintenance, athletic, fuel, and operation supplies as well as instructional supplies.

Fixed assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Land	N/A
Land improvements	20 years
Building and improvements	20-50 years
Furniture, fixtures, and equipment	5-20 years
Vehicles	8 years

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative information

Comparative information for the 2013 fiscal year has been presented on the government-wide statements.

Compensated absences

Employees on twelve month contracts are eligible for vacation. During years one through nine of service an employee earns two weeks of vacation each year. After ten years of service, an employee earns three weeks of vacation each year. After twenty years of service, eighteen days of vacation are earned. Vacation time accrues proportionately between July 1 and June 30. This vacation may be taken beginning June 1 of the year earned and should be taken not later than June 30 of the following fiscal year. Unused vacation days may be carried over to a new fiscal year, but cannot exceed twenty days. Effective July 1, 2006, the maximum accumulation of vacation days including the final year of service with the District, will be thirty-five days.

The District provides substantially all teachers and other employees one day of paid sick leave for each month contracted or employed. Any accumulated unused sick leave is carried over to the next school without limitation. If after ten or more years of service, an employee leaves the District, that employee will receive payment of a maximum of 120 days of accumulated unused sick leave. The rate of payment is the current base rate of a substitute teacher. If after five years or more of service, a teacher retires from the District, that employee will receive payment of a maximum of 120 days of accumulated unused sick leave at a rate of payment equal to the current base rate of a substitute. However, after 10 years of employment, upon separation of employment from the District, including retirement, specific categories of employees are limited to 1/2 of the accumulated unused sick leave of 120 days for an effective maximum payment of 60 days at a rate of payment of 60 days at a rate equal to the current base rate of a substitute.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

1. Summary of Significant Accounting Policies (continued)

Compensated absences (continued)

The District provides substantially all teachers and other employees two days of paid leave for personal business per year. Any accumulated unused personal business leave is carried over to the next school to a maximum of seven days. Any days in excess of seven days are rolled over into the employee's accumulated sick leave. If after ten or more years of service, an employee leaves the District, that employee will receive payment of a maximum of seven days of accumulated unused personal business leave at the current base rate of a substitute.

Fund equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Under Arkansas Act 376 of 1977, the District has elected to reimburse the State's Employment Security Division for unemployment benefits the state might pay for District employees. The District has designated a portion of the General Fund's fund balance, in the amount of \$500,000, to meet any possible future liability for unemployment benefit claims.

The District has also designated a portion of the General Fund's fund balance in the amount of \$200,000, for future liability due to increases in insurance deductibles.

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the third Monday of February in the following year and are considered delinquent after October 15 of that year. The County is the collecting agent for the levy and remits the collections to the District, net of a collection fee. The 2013 assessed valuation upon which taxes will be levied in 2014 is \$1,463,045,859. The tax levy by fund is as follows:

General Fund	\$ 36,576,146
Debt Service	<u>16,825,027</u>
Total	<u>\$ 53,401,173</u>

Property taxes collected by the Sebastian County Collector in June of 2014, but not released to the District until July of 2014 are required to be accrued and recognized as revenue as of June 30, 2014. This amount accrued totaled \$2,178,892.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

3. Stewardship, Compliance and Accountability

Budgetary Information

In accordance with Arkansas law, the District adopts an annual budget by September 30 of each fiscal year for the General, Special Revenue, Capital Projects and Debt Service Funds. The General and Special Revenue Funds budgets are prepared on the basis prescribed by State Statute. The Capital Projects and Debt Service Funds budgets are prepared on the basis of generally accepted accounting principles. Expenditures of each fund may not legally exceed available resources of that fund.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

4. Deposits and Temporary Investments

At June 30, 2014, the District had bank balances as follows:

	<u>BOOK VALUE</u>	<u>BANK VALUE</u>
Insured	\$ 500,000	\$ 500,000
Collateralized with U.S. Government and U.S. Government Agencies securities held by the pledging financial institution's agent in the District's name	<u>32,264,381</u>	<u>29,925,178</u>
Total	<u>\$ 32,764,381</u>	<u>\$ 30,425,178</u>

5. Inventories

Components of the June 30, 2014 inventories are as follows:

Maintenance supplies	\$ 165,956
Instructional supplies	470,423
Food and supplies	108,869
Fuel	<u>40,358</u>
Total	<u>\$ 785,606</u>

6. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2014</u>
Capital assets, not being depreciated				
Land	\$ 6,775,344	\$ 170,681	\$ -	\$ 6,946,025
Construction in progress	<u>12,970,045</u>	<u>12,023,306</u>	<u>12,970,045</u>	<u>12,023,306</u>
Total capital assets not being depreciated	<u>19,745,389</u>	<u>12,193,987</u>	<u>12,970,045</u>	<u>18,969,331</u>

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

6. Changes in Capital Assets (continued)

	Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets, being depreciated				
Land improvements	5,438,393	-	-	5,438,393
Buildings and improvements	155,877,236	14,504,731	-	170,381,967
Furniture, fixtures and equipment	36,440,788	1,783,821	912,844	37,311,765
Vehicles	6,387,974	575,559	-	6,963,533
Total capital assets, being depreciated	<u>204,144,391</u>	<u>16,864,111</u>	<u>912,844</u>	<u>220,095,658</u>
Less accumulated depreciation:				
Land improvements	2,011,225	197,521	-	2,208,746
Buildings and improvements	53,771,863	4,877,863	-	58,649,726
Furniture, fixtures and equipment	20,915,516	2,543,786	888,639	22,570,663
Vehicles	5,028,886	395,838	-	5,424,724
Total accumulated depreciation	<u>81,727,490</u>	<u>8,015,008</u>	<u>888,639</u>	<u>88,853,859</u>
Total capital assets, being depreciated, net	<u>122,416,901</u>	<u>8,849,103</u>	<u>24,205</u>	<u>131,241,799</u>
Governmental activities, capital assets, net	<u>\$ 142,162,290</u>	<u>\$ 21,043,090</u>	<u>\$ 12,994,250</u>	<u>\$ 150,211,130</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instruction:	
Regular programs	\$ 389,710
Special education	3,048
Vocational education	64,924
Adult education	2,511
Compensatory education	245,858
Other instructional programs	79,209
Support services:	
Student	24,199
Instructional	425,317
General administration	6,699
School administration	18,839
Business	73,883
Operation and maintenance of plant	1,083,547
Student transportation	336,807
Central	3,792
Food service	79,370
Student activities	3,742
Depreciation - unallocated	5,173,553
Total depreciation expense	<u>\$ 8,015,008</u>

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

7. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction, and operation of major capital facilities and to refund general obligation bonds. General obligation bonds are direct obligations and are secured by the full faith, credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue contains an option requiring bonds to be called in inverse numerical order for redemption prior to maturity.

In September 2013 and January 2014, the District issued \$9,140,000 and \$9,230,000, respectively, in general obligation bonds.

The bond proceeds will be used toward the renovation of existing school facilities and the purchase of new equipment. The District is required with the 2005, 2011, and 2012 QZAB issues and all of the QSCB issues to establish a sinking fund that will be funded on the anniversary date of the issues as prescribed in the agreements.

The following is a summary of the District's long-term debt activity for the year ended June 30, 2014:

	Balance July 1, 2013	Debt Additions	Debt Retirements	Balance June 30, 2014
General Obligation Bonds:				
Bond issue dated December 1, 2008	\$ 8,740,000	\$ -	\$ 8,740,000	\$ -
Bond issue dated December 1, 2009	5,555,000	-	410,000	5,145,000
Bond issue dated October 1, 2010	2,770,000	-	225,000	2,545,000
Bond issue dated November 1, 2010	7,365,000	-	340,000	7,025,000
Bond issue dated June 1, 2011	6,505,000	-	475,000	6,030,000
Bond issue dated May 1, 2012	5,125,000	-	365,000	4,760,000
Bond issue dated December 1, 2012	4,120,000	-	175,000	3,945,000
Bond issue dated September 1, 2013	-	9,140,000	-	9,140,000
Bond issue dated January 1, 2014	-	9,230,000	-	9,230,000
Total General Obligation Bonds	<u>40,180,000</u>	<u>18,370,000</u>	<u>10,730,000</u>	<u>47,820,000</u>
Other Long-term Debt				
September 1, 2005	627,342	-	-	627,342
Qualified Zone Academy Bonds dated October 2, 2007	2,112,376	-	200,991	1,911,385
Qualified Zone Academy Bonds dated October 6, 2011	3,885,000	-	-	3,885,000
Qualified School Construction Bonds dated November 4, 2009	5,125,000	-	-	5,125,000
Qualified School Construction Bonds dated December 1, 2010	7,940,000	-	-	7,940,000
Qualified School Construction Bonds dated October 6, 2011	1,115,000	-	-	1,115,000
Qualified Zone Academy Bonds dated November 5, 2012	12,570,000	-	-	12,570,000
Total Other Long-term Debt	<u>33,374,718</u>	<u>-</u>	<u>200,991</u>	<u>33,173,727</u>

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

7. Long-Term Debt (continued)

	Balance July 1, 2013	Debt Additions	Debt Retirements	Balance June 30, 2014
Other Long-term liabilities				
Compensated absences	4,511,368	547,771	261,931	4,797,208
Total	\$ 78,066,086	\$ 18,917,771	\$ 11,192,922	\$ 85,790,935

Annual debt service requirements to maturity are as follows:

	Total	Principal	Interest
2015	\$ 6,818,374	\$ 4,210,511	\$ 2,607,863
2016	6,835,335	4,297,746	2,537,589
2017	7,013,336	4,525,006	2,488,330
2018	7,145,684	4,712,290	2,433,394
2019	7,156,039	4,784,600	2,371,439
2020-2024	36,005,412	25,333,648	10,671,764
2025-2029	25,303,536	16,959,419	8,344,117
2030-2034	13,880,349	9,775,942	4,104,407
2035-2039	7,636,006	6,394,565	1,241,441
	\$ 117,794,071	\$ 80,993,727	\$ 36,800,344

A summary of each bond issue is as follows:

Date of Issue	Amount of Original Issue (\$)	Interest Rate Percent	Range of Payment Dues	Range of Annual Maturities (\$)
12/1/2008	9,500,000	2.75/5.50	12-2009/12-2038	185,000/555,000
12/1/2009	6,980,000	2.00/3.750	8-2010/2-2024	365,000/625,000
10/1/2010	3,255,000	1.00/3.00	2-2011/2-2024	45,000/290,000
11/1/2010	8,000,000	2.00/3.625	6-2011/12-2030	300,000/520,000
6/1/2011	6,690,000	2.00/2.75	8-2011/2-2024	185,000/675,000
5/1/2012	5,125,000	1.50/2.00	8-2012/8-2023	68,794/530,650
12/1/2012	4,120,000	.60/2.70	2-2014/2-2032	170,000/265,000
9/1/2013	9,140,000	1.45/4.15	12-2016/12-2038	185,000/560,000
1/1/2014	9,230,000	1.00/4.20	2-2015/2-2038	255,000/570,000
QZAB 9/1/2005	627,342	0	9/1/2021	627,342
QZAB 10/2/2007	3,085,000	1.10	10-2008/10-2022	190,292/221,787
QZAB 10/6/2011	3,885,000	4.30	4-2012/10-2029	215,834
QSCB 11/4/2009	5,125,000	2.17	11-2010/11-2025	320,312.50
QSCB 12/1/2010	7,940,000	5.125	12-2011/12-2029	417,895
QSCB 10/6/2011	1,115,000	4.375	4-2012/10-2029	61,945
QZAB 11/5/2012	12,570,000	3.90	49,614	12,570,000

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

8. Bond Discount Costs and Deferred Loss on Refunding

Bond discount costs incurred in connection with the issuance of the 2009, 2010, 2011, 2012, 2013 and 2014 Series general obligation bonds are being amortized over 12 to 20 years. Bond discount costs incurred in connection with the issuance of the 2007, 2011 and 2012 QZABs are being amortized over 15, 18 and 22 years respectively. Bond discounts incurred with the 2009, 2010 and 2011 QSCBs are being amortized over 15, 20 and 18 years, respectively. Amortization of the bond discounts totaled \$41,073 and is included in interest and fees on long-term debt in the statement of activities. The unamortized portion is netted with total long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of \$321,863 is shown as deferred outflows on the statement of net assets and is amortized over the life of the new debt which ranges from 12 to 20 years. Amortization of the deferred loss totaled \$24,628 and is included in interest and fees on long-term debt in the statement of activities.

9. Other Information

Risk Management

The District is exposed to various risks of loss from theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District has joined together with other school districts to form the Arkansas School Board Association Self-Insurance program, a public entity risk pool currently operating as a common risk management and insurance program for its members. The District pays an annual premium to the Pool for its workmen's compensation insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts.

Employee Retirement Systems and Plans

Arkansas Teacher Retirement System ("System")

The District contributes to the Arkansas Teacher Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan administered by the System. Section 24-7-301 of the Arkansas Code of 1987 Annotated assigns the authority to establish and amend benefit provisions to the System's Board of Trustees. The System provides retirement, death and disability benefits and annual cost-of-living adjustments to plan members. The System issues a publicly available financial report that includes financial statements and required information. The report may be obtained by writing to ATRS, Three Capitol Mall, Little Rock, AR 72201 or by calling (501) 682-1517.

The District contributes 14% of all covered employees' prior year salaries except employees whose salaries are funded by the Federal programs administered by the District. The District contributes from federal funding 14% of all covered employees' current year salaries for those employees. Under certain conditions, covered employees may contribute 6% of their salary to the plan. The authority to establish and amend contribution requirements of plan members and the District is set forth in state law and is vested in the System's Board of Trustees. The contributions from the District for the year ended June 30, 2014 were \$16,566,592 which consisted of \$12,336,181 from general funding and \$4,230,411 from federal funding. The contributions from the district for the year ended June 30, 2013 were \$15,844,684 which consisted of \$11,833,979 from general funding and \$4,010,705 from federal funding.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

9. Other Information (continued)

Employee Retirement Systems and Plans

For certain other employees, the District contributes to the Arkansas Public Employees Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan administered by the System. The System provides retirement, death, and disability benefits and annual cost-of-living adjustments to plan members. The System issues publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to APERS, One Capitol Mall, Little Rock, AR 72201 or by calling (501) 682-7800.

The District contributes 4% of covered employees' salaries to the plan. The District's contributions for the years ended June 30, 2014 and 2013 were \$16,883 and \$23,655, respectively.

10. Fund Balance Reporting

The District follows GASB 54 as part of its 2012-2013 & 2013-2014 fiscal year reporting. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories and prepaid items that are considered nonspendable. The District does not have any nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed: fund balances that contain self-imposed constraints of the District from its highest level of decision making authority.

Assigned: fund balances that contain self-imposed constraints of the District to be used for a particular purpose.

Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

Nonspendable: The District has inventories totaling \$627,737 and prepaid items totaling \$95,857 that are classified as nonspendable.

The District has classified its fund balances with the following hierarchy:

Spendable: The District has classified the spendable fund balances as Restricted, Assigned and Unassigned and considered each to have been spent when expenditures are incurred. The District currently has no funds classified as Committed.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

10. Fund Balance Reporting (continued)

Restricted for State Categorical Programs, Food Service, Debt Service, and Capital Projects:

Federal Laws, Arkansas Statutes and local ordinances require that certain revenues be specifically designed for the purposes of state categorical programs, debt service, and capital projects. The funds have been included in restricted category of fund balance. The restricted fund balances totaled \$16,796,694 and represented \$3,849,287 in debt service and \$12,947,407 in capital projects. The restricted balance in capital projects includes \$7,057,246 for outstanding encumbrances.

Assigned for School Operations and Capital Projects:

The School Board has set aside certain spendable fund balance for school operations, insurance deductibles, and unemployment benefits. At year end, the assigned fund balance is \$5,801,645 of which \$5,101,645 is for school operations, \$200,000 is for insurance deductibles, and \$500,000 is for unemployment benefits. The assigned fund balance for school operations includes \$469,434 for outstanding encumbrances.

Unassigned:

The unassigned fund balance for the General Fund is \$10,163,207.

Description	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
Fund Balances:					
Nonspendable:					
Inventories	\$ 627,737	\$ -	\$ -	\$ 108,869	\$ 736,606
Prepaid Items	95,857	-	-	-	95,857
Restricted:					
Debt Service	-	3,849,287	-	-	3,849,287
Capital Projects:	-	-	5,890,161	-	5,890,161
Encumbrances	-	-	7,057,246	-	7,057,246
Assigned:					
School Operations:	-	-	-	4,632,211	4,632,211
Encumbrances	345,952	-	-	123,482	469,434
Insurance deductibles	200,000	-	-	-	200,000
Unemployment benefits	500,000	-	-	-	500,000
Unassigned	10,163,207	-	-	-	10,163,207
Total Fund Balance	\$ 11,932,753	\$ 3,849,287	\$ 12,947,407	\$ 4,864,562	\$ 33,594,009

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2014

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, total \$2,799,107 for the year ended June 30, 2014.

12. Recently Issued Accounting Pronouncements

In March 2012, the GSAB issued Statement 65, Items Previously Reported as Assets and Liabilities. GASB 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The effect of GASB 65 to the District was to fully amortize the bond issue costs for prior year bond and loan issues for \$441,333 and to expense current year bond issue costs relating to the two new bond issues of \$96,182.

13. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2014 through October 30, 2014, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FORT SMITH SCHOOL DISTRICT #100

Budgetary Comparison Schedule - General Fund - Budgetary Basis

FOR THE YEAR ENDED JUNE 30, 2014

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Local property taxes	\$ 50,049,300	\$ 50,561,385	\$ 512,085
Tuition and services from other LEA	6,000	14,330	8,330
Interest	50,000	79,350	29,350
Contributions	-	128,084	128,084
Insurance recoveries	-	94,906	94,906
Other local revenues	308,419	342,190	33,771
State assistance	54,907,890	54,742,911	(164,979)
Unrestricted federal aid	-	19,910	19,910
Total Revenues	105,321,609	105,983,066	661,457
Expenditures			
Current:			
Regular programs	49,537,345	48,145,723	1,391,622
Special education	7,097,036	6,871,794	225,242
Vocational education	2,753,792	2,773,385	(19,593)
Compensatory education	4,050	3,476	574
Other instructional programs	1,001,081	978,722	22,359
Support services	41,494,090	40,315,535	1,178,555
Capital outlay	1,828,841	1,442,302	386,539
Total Expenditures	103,716,235	100,530,937	3,185,298
Excess of Revenues Over (Under)			
Expenditures	1,605,374	5,452,129	3,846,755
Other Financing Sources (Uses)			
Indirect cost reimbursement	189,489	197,469	7,980
Operating transfers	(4,747,427)	(5,167,480)	(420,053)
Total Other Financing Sources (Uses)	(4,557,938)	(4,970,011)	(412,073)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses			
Fund Balance at Beginning of Year	11,450,635	11,450,635	-
Fund Balance at End of Year	\$ 8,498,071	\$ 11,932,753	\$ 3,434,682

See accompanying notes and independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION

FORT SMITH SCHOOL DISTRICT #100

Schedule of Expenditures of Federal Awards

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Education			
Special Ed Cluster			
E.S.E.A. Title VI, Grants to States	AR Department of Education	84.027	\$ 3,124,746
Special Education, Preschool	AR Department of Education	84.173A	148,725
Total Special Ed Cluster			3,273,471
Adult Education, Basic Grants to States	AR Department of Education	84.002A	253,373
Federal Adult Ed	AR Department of Education	84.002A	30,275
Adult Education - EL Civics	AR Department of Education	84.002A	32,690
Title I, Grants to Local Educational Agencies	AR Department of Education	84.010	5,856,959
Title I, Migrant Education	AR Department of Education	84.011	207,873
School Improvements Grants - ARRA	AR Department of Education	84.388	39,643
Career and Technical Education - Basic Grants to States	AR Department of Education	84.048	236,128
Indian Education, Grants to Local Education Agencies	Received directly	84.060A	156,126
Education For Homeless Children & Youth	AR Department of Education	84.196A	67,063
Twenty-First Century Community Learning Centers	AR Department of Education	84.287	230,401
English Language Acquisition Grants	AR Department of Education	84.365	301,805
Improving Teacher Quality State Grants	AR Department of Education	84.367	524,077
Total U.S. Department of Education			11,209,884
U.S. Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	AR Department of Education	10.553	1,210,471
National School Lunch Program - Cash Assistance	AR Department of Education	10.555	4,256,688
National School Lunch Program - Non-Cash Assistance	AR Department of Human Services	10.555	490,068
Total Child Nutrition Cluster			5,957,227
Child and Adult Care Food Program - Cash Assistance	AR Department of Human Services	10.558	34,772
Total U.S. Department of Agriculture			5,991,999

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Expenditures of Federal Awards

FOR THE YEAR ENDED JUNE 30, 2014

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Health and Human Services			
Child Care and Development Block Grant	AR Department of Human Services	93.575	254,992
Child Care Mandatory and matching Funds	AR Department of Human Services	93.596	101,105
Foster Care - Title IV-E	AR Department of Human Services	93.658	205
Medical Assistance Program (ARMAC)	AR Department of Education	93.778	501,670
Total U.S. Department of Health and Human Services			857,972
U.S. Department of Army			
ROTC	Received directly	12.001	50,104
Total U.S. Department of Army			50,104
Total Federal Awards			\$ 18,109,959

Notes to Schedule:

1. This schedule includes the federal awards activity of Fort Smith School District #100 and is presented on the modified-accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
2. Of the federal expenditures presented in this schedule, Fort Smith Schhol District #100 provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
No awards were provided to subrecipients			

SUPPLEMENTAL DISCLOSURE OF GOVERNMENTAL ASSISTANCE INFORMATION

Title XIX - Medicaid	
Medical Assistance Program (MEDICAID CATASTROPHIC)	\$ <u>191,866</u>
Total Medicaid	\$ <u><u>191,866</u></u>

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Expenditures of State Awards

FOR THE YEAR ENDED JUNE 30, 2014

Grantor Agency/Program Title	State Revenues	State Expenditures
Arkansas Department of Human Services Foster Care - Title IV-E	\$ 58	\$ 58
Arkansas Department of Education on behalf of the Arkansas Early Childhood Commission Arkansas Better Chance	1,457,850	1,457,850
Total Expenditures of State Awards	\$ 1,457,908	\$ 1,457,908

Note A - Basis of Presentation

This schedule of expenditures of state awards includes the state program activity of Fort Smith School District #100 and is presented on the accrual basis of accounting.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Meal and Milk Sales

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Student Breakfast</u>	<u>Student Lunch</u>	<u>Adult Breakfast</u>	<u>Adult Lunch</u>	<u>Snack Bar Ala Carte Milk and Juice</u>	<u>Total</u>
Ballman	\$ 1,611	\$ 20,002	\$ 7	\$ 1,187	\$ 659	\$ 23,466
Barling	5,373	27,305	96	2,174	602	35,550
Beard	3,323	18,754	146	1,765	273	24,261
Bonneville	2,303	16,365	20	427	573	19,688
Carnall	2,142	11,036	384	2,201	195	15,958
Cavanaugh	2,939	15,474	163	1,402	342	20,320
Cook	5,539	44,375	231	1,431	491	52,067
Euper Lane	3,904	24,345	186	1,940	351	30,726
Fairview	3,938	18,687	157	2,418	279	25,479
Howard	772	2,816	100	1,350	93	5,131
Morrison	965	3,663	154	1,690	308	6,780
Orr	4,119	20,852	50	955	733	26,709
Pike	1,456	6,334	511	1,189	553	10,043
Spradling	1,145	5,775	181	2,704	5	9,810
Sunnymede	1,713	9,883	469	3,935	124	16,124
Sutton	1,572	11,041	266	838	99	13,816
Tilles	891	4,177	633	1,902	236	7,839
Trusty	1,016	3,097	180	2,031	238	6,562
Woods	2,073	40,855	67	1,472	509	44,976
Belle Point	162	938	231	1,632	24	2,987
Chaffin	838	11,822	521	2,563	113,366	129,110
Darby	521	5,667	329	6,354	25,573	38,444
Kimmons	1,104	7,694	71	5,368	58,907	73,144
Ramsey	2,016	15,776	468	4,317	180,382	202,959
Northside	1,160	11,200	320	3,281	114,816	130,777
Southside	1,543	10,142	1,463	6,067	123,778	142,993
Totals	\$ 54,138	\$ 368,075	\$ 7,404	\$ 62,593	\$ 623,509	\$ 1,115,719

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of School Breakfasts Served

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Student Free</u>	<u>Student Reduced</u>	<u>Student Paid</u>	<u>Adult Paid</u>	<u>Total</u>
Ballman	11,960	1,822	1,153	2	14,937
Barling	21,140	5,069	4,018	48	30,275
Beard	14,347	1,727	2,999	72	19,145
Bonneville	16,935	2,862	1,546	9	21,352
Carnall	20,079	2,977	1,326	188	24,570
Cavanaugh	12,154	2,561	2,352	63	17,130
Cook	12,748	3,257	4,804	114	20,923
Euper Lane	16,798	2,649	3,301	92	22,840
Fairview	41,100	3,683	2,984	73	47,840
Howard	34,740	1,042	566	50	36,398
Morrison	19,524	1,585	531	74	21,714
Orr	19,888	3,449	3,282	23	26,642
Pike	36,349	1,687	986	255	39,277
Spradling	34,461	2,058	544	89	37,152
Sunnymede	53,398	3,134	829	233	57,594
Sutton	30,150	2,562	879	133	33,724
Tilles	35,635	1,840	307	287	38,069
Trusty	31,316	805	797	87	33,005
Woods	6,741	1,372	1,843	32	9,988
Belle Point	5,098	200	102	93	5,493
Chaffin	9,340	601	758	45	10,744
Darby	20,415	1,127	214	20	21,776
Kimmons	36,505	1,795	614	9	38,923
Ramsey	15,923	1,710	1,632	22	19,287
Northside	23,675	1,581	686	37	25,979
Southside	8,258	1,315	1,175	25	10,773
Totals	588,677	54,470	40,228	2,175	685,550

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of School Lunches Served

FOR THE YEAR ENDED JUNE 30, 2014

	<u>Student Free</u>	<u>Student Reduced</u>	<u>Student Paid</u>	<u>Adult Paid</u>	<u>Total</u>
Ballman	34,850	4,573	9,728	355	49,506
Barling	38,876	8,911	12,122	669	60,578
Beard	23,270	3,823	8,478	517	36,088
Bonneville	32,110	5,201	7,197	124	44,632
Carnall	42,290	5,739	4,868	688	53,585
Cavanaugh	18,096	4,650	7,153	404	30,303
Cook	24,147	7,224	21,034	439	52,844
Euper Lane	27,480	5,239	11,456	558	44,733
Fairview	69,122	7,988	8,213	726	86,049
Howard	61,020	2,363	1,520	355	65,258
Morrison	37,149	3,072	1,422	510	42,153
Orr	32,772	5,397	9,588	254	48,011
Pike	82,821	4,648	2,975	384	90,828
Spradling	67,844	5,929	1,974	800	76,547
Sunnymede	96,079	7,914	3,772	1,205	108,970
Sutton	73,989	9,356	3,880	248	87,473
Tilles	61,778	3,417	1,681	548	67,424
Trusty	55,460	2,307	2,025	612	60,404
Woods	19,086	5,451	18,930	351	43,818
Belle Point	8,305	403	324	470	9,502
Chaffin	27,895	3,766	3,658	418	35,737
Darby	73,240	4,390	1,761	1,308	80,699
Kimmons	88,734	6,240	2,193	1,061	98,228
Ramsey	38,403	6,118	6,029	513	51,063
Northside	96,042	10,057	3,211	432	109,742
Southside	25,795	4,584	3,584	787	34,750
Totals	1,256,653	138,760	158,776	14,736	1,568,925
Total Breakfasts and Lunches	1,845,330	193,230	199,004	16,911	2,254,475

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Findings and Questioned Costs

FOR THE YEAR ENDED JUNE 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

Types of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? yes no

Identification of major programs:

CFDA Number(s)

84.027 & 84.173A

84.367

93.575

93.778

Name of Federal Program or Cluster

Special Education Cluster

Improving Teachers Quality

Child Care & Development Block Grant

Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs: \$543,293

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings - Current Year

No findings.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Federal Award Programs - Schedule of Prior Audit Findings

FOR THE YEAR ENDED JUNE 30, 2014

There were no prior audit findings for the year ended June 30, 2013.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Supplemental Data Sheet As Required By DHS

JUNE 30, 2014

Name: Fort Smith School District #100

Address: 3205 Jenny Lind, P.O. Box 1948, Fort Smith, AR 72902-1948

EIN Number: 71-6020978

Phone Number: (479) 785-2501

Administrative Officer: Dr. Benny Gooden

Contact Person: Charles Warren, CPA

Audit Firm: Przybysz & Associates, CPAs, P.C.

Lead Auditor: Marc Lux, CPA

ADDITIONAL REQUIRED REPORTS



PRZYBYSZ
& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

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**Independent Auditor's 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***

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

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 the governmental activities, major funds, and aggregate remaining fund information of the **Fort Smith School District #100** as of and for the year ended **June 30, 2014**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the 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 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 30, 2014



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& ASSOCIATES

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**Independent Auditor's Report On Compliance For Each Major Program
And On Internal Control Over Compliance Required by OMB Circular A-133**

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the **Fort Smith School District #100's** compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the Fort Smith School District #100 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Przybysz & Associates

**Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 30, 2014**



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**Independent Auditor's Report On
Compliance With Arkansas State Requirements**

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

We have examined management's assertions, included in its representation letter dated October 30, 2014, that the **Fort Smith School District #100** substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations listed on Arkansas Department of Education form OCI 95-96 during the year ended **June 30, 2014**. As discussed in that representation letter, management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, management's assertions that **Fort Smith School District #100** complied with the aforementioned requirements for the year ended **June 30, 2014**, are fairly stated, in all material respects.

This report is intended solely for the information and used of the School Board, management, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
October 30, 2014