

VAN BUREN SCHOOL DISTRICT #42

**REGULATORY BASIS FINANCIAL
STATEMENTS AND OTHER REPORTS**

FOR THE YEAR ENDED JUNE 30, 2017



VAN BUREN SCHOOL DISTRICT #42

JUNE 30, 2017

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Independent Auditor's Report

To the School Board
Van Buren School District #42
Van Buren, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Van Buren School District #42 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

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

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The schedule of capital assets, schedule of expenditures of state awards and the supplemental data sheet are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the regulatory basis financial statements.

The schedule of expenditures of federal awards, the schedule of expenditures of state awards, and the supplemental data sheet are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, the schedule of expenditures of state awards, and the supplemental data sheet are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The schedule of capital assets has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 7, 2017 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering District's internal control over financial reporting and compliance.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 7, 2017

REGULATORY BASIS FINANCIAL STATEMENTS

VAN BUREN SCHOOL DISTRICT #42

Balance Sheet - Regulatory Basis

AS OF JUNE 30, 2017				
	Governmental Funds			
	Major			Fiduciary Type Funds
	General	Special Revenue	Other Aggregate	
Assets				
Cash and temporary investments	\$ 5,221,938	507,325	13,418,683	134,127
Accounts receivable	97,016	368,408	-	-
Due from other funds	(43,112)	43,112	-	-
Deposit with paying agent	-	-	2,314,791	-
Total Assets	\$ 5,275,842	\$ 918,845	\$ 15,733,474	\$ 134,127
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 381,024	\$ 754	\$ -	\$ -
Use tax payable	1,983	154	-	-
Due to student groups	-	-	-	134,127
Total Liabilities	383,007	908	-	134,127
Fund Balances				
Restricted	-	917,937	15,733,474	-
Assigned	455,898	-	-	-
Unassigned	4,436,937	-	-	-
Total Fund Balances	4,892,835	917,937	15,733,474	-
Total Liabilities and Fund Balances	\$ 5,275,842	\$ 918,845	\$ 15,733,474	\$ 134,127

See accompanying notes and independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

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

FOR THE YEAR ENDED JUNE 30, 2017

	Governmental Funds		
	Major		Other Aggregate
	General Fund	Special Revenue	
Revenues			
Local property taxes	\$ 16,542,348	\$ -	\$ -
State assistance	33,733,388	18,285	-
Federal assistance	-	6,788,485	-
Activity revenues	641,367	-	-
Meal sales	-	321,023	-
Investment income	35,122	-	53,162
Refunded prior years expenses	56,354	-	-
Private contributions	2,050	-	109,750
Other revenues	759,521	-	153,964
Total Revenues	51,770,150	7,127,793	316,876
Expenditures			
Current:			
Regular programs	20,569,537	62,155	-
Special education	2,772,074	1,123,774	-
Workforce education	1,096,115	-	-
Adult/continuing education	604,184	106,780	-
Compensatory education	759,910	1,892,247	-
Other instructional programs	1,446,189	35,840	-
Student support	1,769,472	441,072	-
Instructional staff support	3,316,818	526,240	-
General administration support	640,756	63,442	-
School administration support	2,665,484	-	-
Business support	1,024,640	-	-
Operation and maintenance support	5,088,838	49,226	184,417
Student transportation	2,519,948	215,843	-
Other support	148,044	-	-
Food service	15,315	2,371,848	-
Community services	716,948	3,542	-
Activity expenditures	612,325	-	-
Capital outlay	26,977	-	61,383
Debt service:			
Principal	-	-	2,900,000
Interest	-	-	1,914,739
Bond issuance costs	-	-	73,723
Paying agent's fees	-	-	6,940
Total Expenditures	45,793,574	6,892,009	5,141,202
Excess of Revenues Over (Under)			
Expenditures	5,976,576	235,784	(4,824,326)
Other Financing Sources (Uses)			
Indirect cost reimbursement	40,000	(40,000)	-
Proceeds from issuance of debt	-	-	17,910,211
Discount on sale of bonds	-	-	(281,903)
Refunding of bonds outstanding	-	-	(9,541,218)
Proceeds from sale of equipment	16,293	-	-
Operating transfers in	-	43,111	6,099,191
Operating transfers out	(6,142,302)	-	-
Total Other Financing Sources (Uses)	(6,086,009)	3,111	14,186,281
Excess of Revenues and Other Sources Over / (Under)			
Expenditures and Other Uses	(109,433)	238,895	9,361,955
Fund Balance at Beginning of Year	5,002,268	679,042	6,371,519
Fund Balance at End of Year	\$ 4,892,835	\$ 917,937	\$ 15,733,474

See accompanying notes and independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

Budgetary Comparison Schedule - General Fund - Budgetary Basis

FOR THE YEAR ENDED JUNE 30, 2017

Revenues	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Local property taxes	\$ 16,543,749	\$ 16,542,348	\$ (1,401)
State assistance	33,564,107	33,733,388	169,281
Activity revenues	-	641,367	641,367
Investment income	35,500	35,122	(378)
Refunded prior years expenses	56,500	56,354	(146)
Private contributions	-	2,050	2,050
Other revenues	759,415	759,521	106
Total Revenues	50,959,271	51,770,150	810,879
Expenditures			
Current:			
Regular programs	20,587,599	20,569,537	18,062
Special education	2,826,753	2,772,074	54,679
Workforce education	1,232,043	1,096,115	135,928
Adult/continuing education	602,112	604,184	(2,072)
Compensatory education	797,957	759,910	38,047
Other instructional programs	1,493,975	1,446,189	47,786
Student support	1,728,529	1,769,472	(40,943)
Instructional staff support	3,371,041	3,316,818	54,223
General administration support	649,909	640,756	9,153
School administration support	2,645,135	2,665,484	(20,349)
Business support	1,015,900	1,024,640	(8,740)
Operation and maintenance support	5,198,043	5,088,838	109,205
Student transportation	2,166,362	2,519,948	(353,586)
Other support	150,858	148,044	2,814
Food service	18,338	15,315	3,023
Community services	724,940	716,948	7,992
Activity expenditures	15,255	612,325	(597,070)
Capital outlay	125,500	26,977	98,523
Total Expenditures	45,350,249	45,793,574	(443,325)
Excess of Revenues Over (Under)			
Expenditures	5,609,022	5,976,576	367,554
Other Financing Sources (Uses)			
Indirect cost reimbursement	40,000	40,000	-
Proceeds from sale of equipment	16,500	16,293	(207)
Operating transfers out	(6,094,740)	(6,142,302)	(47,562)
Total Other Financing Sources (Uses)	(6,038,240)	(6,086,009)	(47,769)
Excess of Revenues and Other Sources Over / (Under)			
Expenditures and Other Uses	(429,218)	(109,433)	319,785
Fund Balance at Beginning of Year	5,002,268	5,002,268	-
Fund Balance at End of Year	\$ 4,573,050	\$ 4,892,835	\$ 319,785

See accompanying notes and independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

Budgetary Comparison Schedule - Special Revenue Fund - Budgetary Basis

FOR THE YEAR ENDED JUNE 30, 2017

Revenues	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
State assistance	\$ 18,000	\$ 18,285	\$ 285
Federal assistance - restricted	7,015,781	6,788,485	(227,296)
Meal sales	359,400	321,023	(38,377)
Total Revenues	7,393,181	7,127,793	(265,388)
Expenditures			
Current:			
Regular programs	71,853	62,155	9,698
Special education	1,123,103	1,123,774	(671)
Adult/continuing education	106,780	106,780	-
Compensatory education	1,958,757	1,892,247	66,510
Other instructional programs	41,735	35,840	5,895
Student support	485,316	441,072	44,244
Instructional staff support	666,459	526,240	140,219
General administration support	80,627	63,442	17,185
Operation and maintenance support	68,600	49,226	19,374
Student transportation	225,775	215,843	9,932
Food service	2,697,622	2,371,848	325,774
Community services	12,582	3,542	9,040
Total Expenditures	7,539,209	6,892,009	647,200
Excess of Revenues Over (Under)			
Expenditures	(146,028)	235,784	381,812
Other Financing Sources (Uses)			
Indirect cost reimbursement	(40,000)	(40,000)	-
Operating transfers in	-	43,111	43,111
Total Other Financing Sources (Uses)	(40,000)	3,111	43,111
Excess of Revenues and Other Sources Over / (Under)			
Expenditures and Other Uses	(186,028)	238,895	424,923
Fund Balance at Beginning of Year	679,042	679,042	-
Fund Balance at End of Year	\$ 493,014	\$ 917,937	\$ 424,923

See accompanying notes and independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity

The Van Buren School District #42 (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.

b. Description of Funds

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

General Fund - The General Fund is the general operating fund and is used to account for all financial resources except those required to be reported in another fund.

Special Revenue Fund - the Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Fund - The Capital Projects Fund is used to account for the financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust fund for individuals, private organizations, or other governments).

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Funds types include the following:

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

Private-purpose Trust Funds - Private-purpose trust funds are used to report all the other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

c. Measurement Focus and Basis of Accounting

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

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

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

d. Fair Value of Financial Instruments

The District's financial instruments include cash and temporary investments, accounts receivable, and accounts payable. The District's estimate of the fair value of all financial instruments does not differ materially from the aggregate carrying value of its financial instruments recorded in the accompanying balance sheet - regulatory position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

e. Revenue Recognition Policies

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

f. Capital Assets

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

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

Building and improvements	20-50 years
Equipment	5-20 years
Vehicles	5-20 years

g. Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for the real property and June 1 for the personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 10 of the same calendar year. Amendment No. 74 to the Arkansas Constitution established a uniform minimum property millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

h. Interfund Receivables and Payables

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

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

i. Fund Balance Classifications

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

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.

j. Budget and Budgetary Accounting

The District is required by law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The District does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the school districts employ the cash basis method.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds - Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balance - Government - Regulatory Basis.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

k. Compensated Absences and Other Employee Benefits

The District has a sick leave plan covering substantially all teachers and other employees. The plan meets or exceeds the minimum requirements of State law.

Under State law, the District provides substantially all teachers and non-certified employees one day of paid sick leave for each month contracted or employed. Any accumulated unused leave is carried over to the next school year until a maximum of 90 days is accumulated. Any teacher employed by this District is given credit for any accumulated unused leave earned if previously employed in another school district within the State. The maximum credit allowable under this transfer provision is limited to 90 days.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

k. Compensated Absences and Other Employee Benefits (continued)

A liability for unpaid accumulated sick leave is not reported in the governmental funds since the fund liability is not incurred under the regulatory basis of accounting, until the period in which the amounts are normally expected to be liquidated.

Van Buren School District #42 established an IRC section 125 Cafeteria Plan for the benefit of its employees. The District is the plan administrator and the assets and liabilities of this plan are included in the financial statements of the District under the governmental fund type. Through a salary reduction plan employees are permitted to have the District pay the cost of the following benefits:

Physicals	Vision Care
Fees/Services	Dependent Care
Dental and Orthodontic Care	Hearing Expenses
Prescription Drugs	Medical Equipment
Therapy Treatments	Psychiatric Care
Assistance for the Handicapped	Miscellaneous Charges

l. Non-Monetary Transactions

Non-monetary transactions are reflected in these financial statements at their fair value. During the fiscal year ended June 30, 2017, commodities were received by the District in the amount of \$211,000.

2. Cash Deposits With Financial Institutions

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned. The District's deposit policy for custodial credit risk required compliance with the provisions of state law. State law requires collateralization for all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligation bonds; bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by bond executed by a surety company authorized to do business in the State of Arkansas. The Director of Education must approve the surety company.

The Federal Deposit Insurance Company (FDIC) insures bank accounts that earn less than .25% interest and all bank accounts up to \$250,000 and the total of all certificates of deposits up to \$250,000. Citizens Bank has pledged securities of \$21,367,433 held by the Federal Reserve in the District's name to cover any excess cash balances. The District is fully collateralized.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

2. Cash Deposits With Financial Institutions (continued)

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

At June 30, 2017	Book Value	Bank Value
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging banks trust department in the District's name	19,029,873	19,921,216
Total	\$ 19,279,873	\$ 20,171,216

The above total deposits do not include cash on hand of \$2,200. The above total deposits include certificates of deposit of \$9,887,901 reported as cash and classified as nonparticipating contracts.

3. Receivables

The accounts receivable balance of \$465,424 at June 30, 2017 was comprised of the following:

Description	General	Special Revenue	Other Aggregate	Total
State assistance	\$ 33,123	\$ -	\$ -	\$ 33,123
Federal assistance	-	368,408	-	368,408
Other receivables	63,893	-	-	63,893
Total	\$ 97,016	\$ 368,408	\$ -	\$ 465,424

4. Accounts Payable

The accounts payable balance of \$381,778 at June 30, 2017 was comprised of the following:

Description	General	Special Revenue	Other Aggregate	Total
Vendor Payables	\$ 381,024	\$ 754	\$ -	\$ 381,778
Total	\$ 381,024	\$ 754	\$ -	\$ 381,778

5. Interfund Transfers

The District transferred \$6,142,302 from the general fund to the other aggregate and special revenue funds. Of that amount, \$1,431,555 was used to fund the bond sinking funds with Bank of the Ozarks and future construction, repairs and renovation of facilities or purchase of equipment. An additional amount of \$4,667,636 was for debt service. The remaining balance of \$43,111 was to fund unpaid lunches in the special revenue fund.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

6. Long Term Debt

On December 6, 2016 the District issued \$17,985,000 of refunding and construction bonds. The purpose of the bond was to retire the District's existing bonds dated 11/1/2010, 6/1/2011, 7/6/11 and 9/1/11 with outstanding principal and interest balances totaling \$9,541,218. The remaining proceeds are for erecting and equipping new school facilities and making additions and improvements to existing facilities. These projects include a new elementary school, renovation of the high school cafeteria and resurfacing the high school track and will be completed by December 1, 2019.

Long term debt activity for the year ended June 30, 2017:

	Balance July 1, 2016	Debt Additions	Debt Retirements	Balance June 30, 2017
General Obligation Bonds:	\$ 70,675,000	\$ 17,985,000	\$ 12,360,000	\$ 76,300,000

General obligation bond debt service requirements are as follows:

Year ending June 30,	Principal	Interest	Total
2018	\$ 2,670,000	\$ 2,412,953	\$ 5,082,953
2019	2,805,000	2,270,563	5,075,563
2020	2,855,000	2,215,138	5,070,138
2021	2,930,000	2,140,260	5,070,260
2022	3,000,000	2,061,340	5,061,340
2023-2027	19,570,000	8,934,705	28,504,705
2028-2032	24,115,000	5,660,675	29,775,675
2033-2037	8,085,000	2,366,866	10,451,866
2038-2042	4,735,000	1,509,256	6,244,256
2043-2047	5,535,000	614,619	6,149,619
Total	\$ 76,300,000	\$ 30,186,375	\$ 106,486,375

All long-term debt is 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 allowing bonds to be called in inverse maturity order for redemption prior to maturity.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

6. Long Term Debt (continued)

A summary of each bond issue is as follows:

<u>Date of Issue</u>	<u>Amount of Original Issue (\$)</u>	<u>Interest Rate Percent</u>	<u>Range of Payment Dates</u>	<u>Range of Annual Maturities (\$)</u>
3/18/2010	3,000,000	1.95	09-10 / 03-26	0/3,000,000
11/23/2010	3,150,000	5.25	05-11 / 11-29	0/3,150,000
1/1/2012	5,060,000	1.0/3.5	04-13 / 04-33	65,000/940,000
7/1/2013	5,045,000	1.0/3.0	10-13 / 04-33	190,000/345,000
4/1/2014	7,560,000	0.75/3.7	10-14 / 04-33	145,000/555,000
1/1/2015	5,165,000	2.0/3.5	10-15 / 04-33	100,000/375,000
2/1/2015	33,220,000	2.0/3.125	10-15 / 04-33	10,000/2,465,000
12/6/2016	17,985,000	3.0/3.625	02-18 / 04-47	10,000/1,180,000

7. Commitments

The District leases copy machines under a five year non-cancellable operating lease dated April 1, 2013. The District is invoiced monthly for \$2,785 for equipment rental, \$5,000 for service based on 10,000,000 copies/images annually and any requested staples with any overage billed annually at \$0.006. The District is billed quarterly for color images. For the year ended June 30, 2017, the District paid \$116,753 for copier leases.

Future minimum annual rental commitments under the operating lease at June 30, 2017 are as follows:

<u>Year ending June 30,</u>	
2018	70,065
Total	\$ 70,065

8. Fund Balance Reporting

The District follows GASB 54 as part of its 2016-2017 fiscal year reporting. The intention of the GASB 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.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

8. Fund Balance Reporting (continued)

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.

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.

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

Restricted for Categorical Programs, Debt Service and Capital Projects:

Federal Laws, Arkansas Statutes and local ordinances require that certain revenues be specifically designated for the purposes of categorical programs, debt service, and capital projects. The funds have been included in the restricted category of fund balance. The restricted fund balances totaled \$16,651,411 and represented \$917,937 in categorical programs, \$2,314,791 in debt service and \$13,418,683 for capital projects.

Assigned for Student Activities:

The School Board has set aside certain spendable fund balance for various student activities that totaled \$455,898.

Unassigned:

The unassigned fund balance for the General Fund is \$4,436,937.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

8. Fund Balance Reporting (continued)

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Fund Balances:				
Restricted:				
Capital Projects	\$ -	\$ -	\$ 13,418,683	\$ 13,418,683
Debt Service	-	-	2,314,791	2,314,791
Categorical Programs	-	917,937	-	917,937
Assigned:				
Student Activities	455,898	-	-	455,898
Unassigned	4,436,937	-	-	4,436,937
Total Fund Balance	\$ 4,892,835	\$ 917,937	\$ 15,733,474	\$ 21,544,246

9. Retirement Plans

A. Arkansas Teacher Retirement System

Plan Description. The District contributes to the Arkansas Teacher Retirement Systems (ATRS), a cost sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publically available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14%. The District's contributions to ATRS for the years ended June 30, 2017, 2016, and 2015 were \$4,518,225, \$4,524,793, and \$4,489,081, respectively, equal to the required contributions for each year.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

9. Retirement Plans (continued)

B. Arkansas Public Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to the Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capital, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions per APERS for the years ended June 30, 2017, 2016, and 2015 were \$2,681, \$4,994, and \$5,303, respectively, equal to the required contributions for each year.

10. Net Pension Liability

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

District's Proportionate Share of Pension Liability	
Arkansas Teacher Retirement System	\$ 48,663,547
Arkansas Public Retirement System	45,457
Total	\$ 48,709,004

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 \$1,028,170 for the year ended June 30, 2017.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

12. Related Organizations

The District's financial statements do not include assets, liabilities, and changes in net assets, relating to the Van Buren School District Education Foundation. The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. The most recent financial information available for the Foundation is December 31, 2016. A summary of the Foundation's financial condition as of December 31, 2016, is as follows:

Assets	
Cash	\$ 183,789
Prepays	913
Total Assets	184,702
Liabilities and Net Assets	
Net Assets	184,702
Total Liabilities and Net Assets	\$ 184,702

Major components of the change in net assets for the year ended December 31, 2016 consisted of:

Revenues	
Donations	\$ 56,029
Interest Income	300
Total Revenues	56,329
Expenses	
Program Services	84,120
Management and general	148
Total Expenses	84,268
Net Increase(Decrease) in Net Assets	(27,939)
Beginning Net Assets	212,641
Ending Net Assets	\$ 184,702

13. Risk Management

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

The District carries commercial insurance for board liability and student accidents. Settled claims have not exceeded this commercial coverage in any part of the past three years. There were no significant reductions in insurance coverage from prior year in the major categories of risk.

VAN BUREN SCHOOL DISTRICT #42

Notes to Financial Statements

JUNE 30, 2017

13. Risk Management (continued)

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

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Government Bonding Board. The program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

The District participates in the Public School Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow member districts a means of insuring vehicles. The Fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for this coverage.

14. Subsequent Events

On August 1, 2017, the District entered into an operating lease for six school buses. The lease term is thirty six-months with future minimum rentals as follows:

Year ending June 30,	
2018	\$ 120,000
2019	120,000
2020	120,000
Total	\$ 360,000

On May 15, 2017, the District received a land donation of 10 acres worth \$812,000. On August 4, 2017, the District purchased an additional 10 acres contiguous to the donated land for \$490,178. The combined 20 acres will be the future site of the new elementary school.

SUPPLEMENTARY INFORMATION

VAN BUREN SCHOOL DISTRICT #42

Schedule of Capital Assets (Unaudited)

AS OF JUNE 30, 2017	
Nondepreciable Capital Assets:	
Land	\$ 5,640,606
Total Nondepreciable Capital Assets	5,640,606
Depreciable Capital Assets:	
Buildings and improvements	107,784,009
Machinery and equipment	17,907,176
Total Depreciable Capital Assets	125,691,185
Total Capital Assets	131,331,791
Less Accumulated Depreciation for:	
Buildings and improvements	33,739,356
Machinery and equipment	11,757,707
Total Accumulated Depreciation	45,497,063
Capital Assets, net	\$ 85,834,728

See independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

Schedule of Expenditures of Federal Awards

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Education			
Adult Education, Basic Grants to States	AR Department of Career Education	84.002A	\$ 106,780
E.S.E.A. Title I, Part A Title 1 Grants to Local Education Agencies	AR Department of Education	84.010	1,949,309
E.S.E.A. Title I, Migrant Education	AR Department of Education	84.011	158,361
Special Ed Cluster			
E.S.E.A. Title VI, Grants to States	AR Department of Education	84.027	1,565,872
Special Education, Preschool	AR Department of Education	84.173A	75,684
Vocational Education, Basic Grants Carl Perkins	AR Department of Career Education	84.048	51,144
English Language Acquisition State Grants	AR Department of Education	84.365	50,944
Improving Teacher Quality State Grants	AR Department of Education	84.367	318,432
Total U.S. Department of Education			4,276,526
U.S. Department of Army			
ROTC	Received directly	12.001	45,070
Total U.S. Department of Army			45,070
U.S. Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	AR Department of Education	10.553	568,886
National School Lunch Program - Cash Assistance	AR Department of Education	10.555	1,439,874
National School Lunch Program - Non-Cash Assistance	State Dept. of Human Services	10.555	208,548
Summer Food Service Program for Children - Cash Assistance	State Dept. of Human Services	10.559	69,693
Fresh Fruit and Vegetable Program	AR Department of Education	10.582	2,452
Total U.S. Department of Agriculture			2,289,453
Total Federal Awards			\$ 6,611,049

See independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

Schedule of Expenditures of Federal Awards

FOR THE YEAR ENDED JUNE 30, 2017

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Van Buren School District #42, and is presented on the regulatory basis of accounting (RBA). The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a portion of the operations of Van Buren School District #42, it is not intended to and does not present the financial position, changes in fund balance, or cash flows of the District.

Note B - Summary of Significant Accounting Policies

1. The schedule of expenditures of federal awards includes the program activity of Van Buren School District #42, and is presented on the regulatory basis of accounting (RBA). Such expenditures are recognized following the cost principles contained from the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
2. Van Buren School District #42 does not charge indirect cost rates and charges 100% of their costs directly.

Note C - Nonmonetary Assistance

Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.

Note D - Monetary Assistance

During the year ended June 30, 2017, the District received Medicaid funding of \$65,302 from the State Department of Human Services. Such payments are not considered Federal Awards expended and therefore, are not included in the above schedule.

See independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

Schedule of Expenditures of State Awards

FOR THE YEAR ENDED JUNE 30, 2017

Grantor Agency/Program Title	State Revenues	State Expenditures
Arkansas Department of Education on behalf of the Arkansas Early Childhood Commission Arkansas Better Chance	\$ 388,800	\$ 388,800
Total Expenditures of State Awards	\$ 388,800	\$ 388,800

Note A - Basis of Presentation

The accompanying schedule of expenditures of state awards includes the state grant activity of Van Buren School District #42 and is presented on the regulatory basis of accounting.

See independent auditor's report.

VAN BUREN SCHOOL DISTRICT #42

Supplemental Data Sheet

JUNE 30, 2017

Name: Van Buren School District #42

Address: 2221 Pointer Trail East, Van Buren, AR 72956

EIN Number: 71-6021036

Phone Number: (479) 474-7942

Superintendent: Dr. Harold Jeffcoat

Contact Person: Lori Trentham

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

Lead Auditor: Marc Lux, CPA

ADDITIONAL REQUIRED REPORTS



**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
Van Buren School District #42
Van Buren, Arkansas

We have audited, 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, the financial statements of each major governmental fund and the aggregate remaining fund information of the Van Buren School District #42 (the "District"), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated November 7, 2017. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2017, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given 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 regulatory basis 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 District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 7, 2017



Independent Auditor's Report on Compliance for Each Major Federal Program And on Internal Control Over Compliance Required by the Uniform Guidance

To the School Board
Van Buren School District #42
Van Buren, Arkansas

Report on Compliance for each Major Federal Program

We have audited Van Buren School District #42 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2017. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, Van Buren School District #42 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Van Buren School District #42 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

A handwritten signature in black ink that reads "Przybysz & Associates". The signature is written in a cursive, flowing style.

Przybysz & Associates, CPAs, P.C.

Fort Smith, Arkansas

November 7, 2017



Independent Auditor's Report On Compliance With Arkansas State Requirements

To the School Board
Van Buren School District #42
Van Buren, Arkansas

We have examined management's assertions, included in its representation letter dated November 7, 2017, that the Van Buren School District #42 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, 2017. 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 Van Buren School District #42 complied with the aforementioned requirements for the year ended June 30, 2017, 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
November 7, 2017

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VAN BUREN SCHOOL DISTRICT #42

Schedule of Findings and Questioned Costs

FOR THE YEAR ENDED JUNE 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Types of auditor's report issued:

Adverse - GAAP basis
Unmodified - regulatory basis

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 2 CFR 200.516(a)?

yes no

Identification of major programs:

CFDA Number(s)
10.553, 10.559, 10.555

Name of Federal Program or Cluster
Child Nutrition Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

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.

VAN BUREN SCHOOL DISTRICT #42

Schedule of Prior Audit Findings

FOR THE YEAR ENDED JUNE 30, 2017

There were no prior audit findings for the year ended June 30, 2016.