

HACKETT SCHOOL DISTRICT NO. 17

SEBASTIAN COUNTY,
ARKANSAS

REGULATORY BASIS
FINANCIAL STATEMENTS
AND OTHER REPORTS

FOR THE YEAR ENDED
JUNE 30, 2014

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
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Hubbs, Belcher and Cotnpany CPA's, p.a.

Independent Auditors' Report

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To the Board of Education
Hackett School District No. 17
Hackett, Arkansas

We have audited the accompanying financial statements of Hackett School District No. 17 (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 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 the Arkansas Department of Education. 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 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.

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

As described in Note I, the financial statements are prepared by Hackett School District No. 17, on the basis of the financial reporting provisions of the Arkansas Department of Education, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Arkansas Department of Education.

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

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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" paragraph, 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 Hackett School District No. 17, as of June 30, 2014, and the respective changes in financial position, and the respective budgetary comparison for the General Fund and Special Revenue Fund for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the balance sheet – regulatory basis of the Hackett School District No. 17, as of June 30, 2014, and the revenues it received and expenditures it paid for the year ended, in accordance with the financial reporting provisions of the Arkansas Department of Education as described in Note 1.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

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 (page 19), Schedule of Expenditures of Federal Awards (page 20), as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, Schedule of Selected Information for the Last Five Years (page 21), Supplemental Data Sheet (page 22), Findings and Questioned Costs (page 26), and Federal Award Programs – Status of Prior Year Audit Findings (page 23) 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 (page 20), Findings and Questioned Costs (page 26) and Federal Award Programs – Status of Prior Year Audit Findings (page 23) have been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole. The Schedule of Capital Assets (page 19) has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2014, on our consideration of the Hackett School District No. 17'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. The report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hackett School District No. 17's internal control over financial reporting and compliance.

Hubbe pal '6 PFI

Certified Public Accountants
Van Buren, Arkansas

December 9, 2014



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Independent Auditors' Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statement Performed in Accordance with *Governmental Auditing Standards*

To the Board of Education
Hackett School District No. 17
Hackett, 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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Hackett School District No. 17, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise Hackett School District No. 17's basic financial statements and have issued our report thereon dated December 9, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Hackett School District No. 17'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 Hackett School District No. 17's internal control. Accordingly, we do not express an opinion on the effectiveness of Hackett School District No. 17's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies. 2014-1.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hackett School District No. 17's financial statements are free from 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2014-1.

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Hackett School District No. 17's Response to Findings

Hackett School District No. 17's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hackett School District No. 17's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* inconsidering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Certified Public Accountants

Van Buren, Arkansas

December 9, 2014



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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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To the Board of Education
Hackett School District No. 17
Hackett, Arkansas

Report on Compliance for Each Major Federal Program

We have audited Hackett School District No. 17's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Hackett School District No. 17's major federal programs for the year ended June 30, 2014. Hackett School District No. 17'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 Hackett School District No. 17'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 Hackett School District No. 17'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 Hackett School District No. 17's compliance.

Basis for Qualified Opinion on all Federal Programs

As described in the accompanying schedule of findings and questioned costs, Hackett School District No. 17 did not comply with requirements regarding 2014-1. Compliance with such requirements is necessary, in our opinion, for Hackett School District No. 17 to comply with the requirements applicable to these programs.

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Qualified Opinion on [Identify Major Federal Program.]

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Hackett School District No. 17 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on all federal programs for the year ended June 30, 2014.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, Hackett School District No. 17 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-1. Our opinion on each major federal program is not modified with respect to these matters.

Hackett School District No. 17's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hackett School District No. 17's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of Hackett School District No. 17, 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 Hackett School District No. 17'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 Hackett School District No. 17's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-1 to be significant deficiencies.

Hackett School District No. 17's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Hackett School District No. 17's

response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

A handwritten signature in black ink that reads "Hubbs, Belcher & Company, p.a." with a stylized flourish at the end.

Hubbs, Belcher & Company, p.a.
Certified Public Accountants

Van Buren, Arkansas
December 9, 2014

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds			
	Major			
	General	Special Revenue	Other Aggregate	Fiduciary Type Funds
ASSETS				
Cash and cash equivalents	\$ 953,800	\$	\$ 338,654	\$ 31,135
Due from other funds	27,287			
Accounts receivable	<u>185,545</u>	<u>27,287</u>		
TOTAL ASSETS	<u>1,166,632</u>	<u>27,287</u>	<u>338,654</u>	<u>31,135</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	12,347	2,218		
Due to other funds		27,287		
Due to student groups				<u>31,135</u>
Total Liabilities	<u>12,347</u>	<u>29,505</u>		<u>31,135</u>
Fund Balances:				
Restricted	19,563	(2,218)	338,654	
Assigned	11,505			
Unassigned	<u>1,123,217</u>			
Total Fund Balances	<u>1,154,285</u>	<u>(2,218)</u>	<u>338,654</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,166,632</u>	<u>\$ 27,287</u>	<u>\$ 338,654</u>	<u>\$ 31,135</u>

HACKETI SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
REVENUES			
Property taxes	\$ 1,338,878	\$	\$
State assistance	3,607,905	2,014	43,889
Federal assistance	2,838	449,837	315,743
Activity revenues	44,599		
Meal sales		45,397	
Interest income	1,506		
Other revenues	28,054		
TOTAL REVENUES	5,023,780	497,248	359,632
EXPENDITURES			
Regular programs	2,347,211	5,559	
Special education	127,777	101,305	
Workforce education	202,253		
Compensatory education		90,514	
Other instructional programs	133,728		
Student support services	225,958	33,648	
Instructional staff support services	314,984	39,300	
General administration support services	157,004		
School administration support services	246,011		
Operation and maintenance of plant services	580,975	3,894	4,450
Student transportation services	147,026		
Central support services	97,696	128	
Other support services	2,542		
Food services operations	613	257,072	
Activity expenditures	50,438		
Land acquisition services			17,028
Building improvements			741,257
Education specific development	7,105		
Debt service:			
Principal retirement	33,566		170,000
Interest and fiscal charges	9,743		88,066
TOTAL EXPENDITURES	4,684,630	531,420	1,020,801
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	339,150	(34,172)	(661,169)
OTHER FINANCING SOURCES (USES)			
Transfers in		10,964	342,352
Transfers out	(353,316)		
TOTAL OTHER FINANCING SOURCES (USES)	(353,316)	10,964	342,352
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(14,166)	(23,208)	(318,817)
FUND BALANCES - JULY 1, 2013	1,168,451	20,990	657,471
FUND BALANCES-JUNE 30, 2014	<u>\$ 1,154,285</u>	<u>\$ (2,218)</u>	<u>\$ 338,654</u>

See independent auditors' report and accompanying notes.

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 1,232,200	\$ 1,338,878	\$ 106,678	\$	\$	\$
State assistance	3,467,384	3,607,905	140,521	1,885	2,014	129
Federal assistance	2,650	2,838	188	472,992	449,837	(23,155)
Activity revenues		44,599	44,599			
Mcal sales				47,444	45,397	(2,047)
Interest income		1,506	1,506			
Other revenues	211,567	28,054	6,487			
TOTAL REVENUES	4,723,801	5,023,780	299,979	522,321	497,248	(25,073)
EXPENDITURES						
Regular programs	2,296,591	2,347,211	(50,620)	5,559	5,559	
Special education	124,251	127,777	(3,526)	103,557	101,305	2,252
Workforce education	205,262	202,253	3,009			
Compensatory education				97,245	90,514	6,731
Other instructional programs	136,782	133,728	3,054			
Student support services	231,766	225,958	5,808	32,660	33,648	(988)
Instructional staff support services	319,955	314,984	4,971	48,570	39,300	9,270
General administration support services	157,192	157,004	188			
School administration support services	253,686	246,011	1,675			
Operation and maintenance of plant services	511,921	580,915	(69,054)	2,675	3,894	(1,219)
Student transportation services	131,931	147,026	(15,095)			
Central support services	101,489	97,696	3,793	650	128	522
Other support services	3,000	2,542	458			
Food services operations	560	613	(53)	248,564	257,072	(8,508)
Activity expenditures		50,438	(50,438)			
Building improvements	7,000		7,000			
Education specific development		7,105	(7,105)			
Debt service:						
Principal retirement	20,000	33,566	(13,566)			
Interest and fiscal charges	8,571	9,743	(1,172)			
TOTAL EXPENDITURES	4,509,957	4,168,163	(174,163)	539,480	531,420	8,060
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	213,844	339,150	125,306	(171,159)	(341,172)	(171,013)
OTHER FINANCING SOURCES (USES)						
Transfers in					10,964	10,964
Transfers out	(218,139)	(353,131)	(134,920)			
TOTAL OTHER FINANCING SOURCES (USES)	(218,139)	(353,131)	(134,920)		10,964	10,964
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(4,152)	(141,166)	(9,614)	(17,159)	(23,208)	(6,049)
FUND BALANCES - JULY 1, 2013	1,149,427	1,168,451	(19,024)	20,528	20,990	(462)
FUND BALANCES - JUNE 30, 2014	\$ 1,144,187	\$ 1,154,285	\$ (28,168)	\$ 31,369	\$ (21,218)	\$ (6,151)

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1:SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District is a political subdivision of the Arkansas Department of Education, governed by an elected five-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 are or 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 government 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 financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or intrust funds 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 Fund types include the following:

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

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

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), 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, at a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

C. Measurement Focus and Basis of Accounting (Cont'd)

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

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal 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.

D. Revenue Recognition Policies

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

E. 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:

<u>Description</u>	<u>Estimated Useful Life in Years</u>
Buildings & Improvements	20 -50
Equipment	5 -20
Road Vehicles	5 -20

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1:SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

F. Property Taxes

Property taxes are levied in November based on property assessments 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 true records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Arkansas Code Ann. §6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2012 calendar year taxes collected by June 30, 2013 and 32 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes.

Amendment No. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Arkansas Code Annotated 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.

G. Fund Balance Designations

Fund balance is divided into three classifications based primarily on the extent to which the District is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of the other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the District. The District has no assigned fund balance.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 1:SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

H. 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 Balances -Governmental -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.

I.Cash and Cash Equivalents

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

J.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 the 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.

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.

The District 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

K. Non-Monetary Transactions

Non-monetary transactions are reflected in these regulatory basis financial statements at their fair value. During the fiscal year ended June 30, 2014, commodities were received by the District in the amount of\$21,136.

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 2: CASH DEPOSITS AND INVESTMENTS WITH FINANCIAL INSTITUTIONS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust bank's trust department in the District's name	1,073,588	1,194,493
Total deposits & investments	\$ 1,323,588	\$ 1,444,493

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial risk. State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; 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. As of June 30, 2014, the District has pledge securities of \$1,370,000 held by the Federal Reserve to cover any excess cash balances. The District is fully collateralized.

NOTE 3: ACCOUNTS RECEIVABLE

The receivables of \$240,119 at June 30, 2014, consist of the following:

	General	Special Revenue	Total
Taxes receivable	\$ 185,545	\$	\$ 185,545
Intergovernmental receivable		27,287	27,287
Due from other funds	27,287		27,287
Total receivables	\$ 212,832	\$ 27,287	\$ 240,119

NOTE 4: ACCOUNTS PAYABLE

The payables of \$41,852 at June 30, 2014, are as follows:

	General	Special Revenue	Total
Vendor payables	\$ 12,347	\$ 2,218	\$ 14,565
Due to other funds		27,287	27,287
	\$ 12,347	\$ 29,505	\$ 41,852

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 5: INTERFUND TRANSFERS

Interfund transfers consisted of transfers from the General Fund, in the amount of \$353,316, to the Special Revenue Fund and Other Aggregate Fund in the amounts of \$10,964 and \$342,352 respectively.

NOTE 6: COMMITMENTS

The District was contractually obligated for the following at the June 30, 2014:

A. Operating Lease (noncapital leases with initial non-cancellable lease terms in excess of one year)

General description of leases and leasing arrangements:

- On October 26, 2011, the District executed a lease with Dealers First Financial for copiers. Terms of the lease were \$195 monthly payments for 60 months.
- On December 7, 2011, the District executed a lease for copiers with Wells Fargo with terms of \$1,228 monthly payments for 48 months.
- On November 20, 2012, the District executed a lease with Wells Fargo for a copier. Terms of the lease were \$36 monthly payments for 36 months.

B. Operating Lease (noncapital leases with initial non-cancellable lease terms in excess of one year)

Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2015	17,519
2016	12,462
2017	978
Total	\$ 30,959

Rental payments for the operating leases described above were approximately \$13,977 for the year ended June 30, 2014.

C. Long-term debt activities for the year ended June 30, 2014:

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

<u>Date of issue</u>	<u>Date of Final Maturity</u>	<u>Interest rate percent</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2014</u>	<u>Maturities to June 30, 2014</u>
04/01/10	06/01/28	1.00 -3.95%	\$1,465,000	\$1,380,000	\$ 85,000
08/01/10	06/01/28	1.00 -3.25%	895,000	845,000	50,000
04/01/12	06/01/28	2.25%	640,000	605,000	35,000
06/18/13	05/01/23	4.95%	200,000	180,000	20,000

Changes in Long-term Debt

	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014
Bonds payable	\$ 3,200,000	\$	\$ 190,000	\$ 3,010,000

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 6: COMMITMENTS (CONTINUED)

General obligation bond debt service requirements at June 30, 2014, are:

Year Ending June 30	Princial	Interest	Total
2015	185,000	92,308	277,308
2016	195,000	87,951	282,951
2017	195,000	82,928	277,928
2018	200,000	77,662	277,662
2019	210,000	71,822	281,822
2019-2024	1,100,000	258,867	1,358,867
2024-2028	<u>925,000</u>	<u>78,822</u>	<u>1,003,822</u>
	<u>\$ 3,010,000</u>	<u>\$ 750,360</u>	<u>\$ 3,760,360</u>

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.

NOTE 7: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description. The District contributes to the Arkansas Teacher Retirement System (ARTRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain non-teachers hired prior to July 1, 1989. ARTRS 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 publicly available financial report that includes financial statements and required supplementary information for ARTRS. 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. ARTRS 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 ARTRS for the years ended June 30, 2014, 2013 and 2012, were \$403,752, \$394,342, and \$400,586 respectively, equal to the required contributions for each year.

NOTE 8: 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 students accidents. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from prior year in the major categories of risk.

The District participates in the Arkansas School Board Association -Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July I, 1994 pursuant to state law. The Trust is responsible for

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014

NOTE 8: RISK MANAGEMENT (CONTINUED)

obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental 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.

NOTE 9: CONTINGENCIES

The District has received federal and state assistance in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agencies for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of the District's management such disallowance, if any, will not be significant.

NOTE 10: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$106,445.

NOTE 11: SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 9, 2014, the date the financial statements were available to be issued. The Arkansas Board of Education approved the annexation of the Hartford School District into the Hackett School District. The annexation will take place July 1, 2015, which will affect the 2015-2016 school year audit.

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2014

NOTE 12: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Fund Balances				
Restricted for:				
Building Fund	\$	\$	\$ 309,144	\$ 309,144
Refund bond savings			29,510	29,510
Federal Programs		(2,218)		625
Student Growth	1,777			1,777
Declining Enrollment	4,900			4,900
LEA Special Ed	1,954			1,954
NSLA	4,401			4,401
ALE	3,241			3,241
General Facilities	165			165
SVAC	3,125			3,125
	<u>19,563</u>	<u>(2,218)</u>	<u>338,654</u>	<u>358,842</u>
Assigned to:				
Student activities	<u>11,505</u>			<u>31,135</u>
	<u>11,505</u>			<u>31,135</u>
Unassigned	<u>1,123,217</u>			<u>1,103,587</u>
	<u>\$ 1,154,285</u>	<u>\$ (2,218)</u>	<u>\$ 338,654</u>	<u>\$ 1,493,564</u>

SUPPLEMENTARY INFORMATION

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2014

(unaudited)

	Balance June 30, 2014
Nondepreciable Capital Assets:	
Land	<u>\$ 177,669</u>
Total Nondepreciable Capital Assets	<u>177,669</u>
Depreciable Capital Assets:	
Buildings	7,818,127
Improvements	1,610,290
Vehicles and equipment	<u>1,156,831</u>
Total Depreciable Capital Assets	<u>10,585,248</u>
Total Capital Assets	<u>10,762,917</u>
Less Accumulated Depreciation for:	
Buildings	1,870,923
Improvements	837,813
Equipment	<u>867,457</u>
Total Accumulated Depreciation	<u>3,576,193</u>
Capital Assets, net	<u>\$ 7,186,724</u>

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2014

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM TITLE	FEDERAL CFDA NUMBER	CASH/ACCRUED OR (DEFERRED) DISBURSEMENTS JUNE 30, 2014
U.S. DEPARTMENT OF EDUCATION		
<i>Passed through State Department of Education:</i>		
ESEA Title I Regular - Comp Education	84.010	\$ 98,557
Improving Teacher Quality, Grant Title II, Part A	84.367	11,379
IDEA Title VI - B Pass through Funding	84.027	122,159
Rural Education Assistance Program Grant (REAP)	84.358A	<u>5,559</u>
TOTAL U.S. DEPARTMENT OF EDUCATION		<u>237,654</u>
U.S. DEPARTMENT OF HUMAN SERVICES		
<i>Passed through State Department of Education:</i>		
Arkansas Medicaid Admin Claiming (ARMAC)	93.778	<u>28,736</u>
TOTAL U.S. DEPARTMENT OF HUMAN SERVICES		<u>28,736</u>
U.S. DEPARTMENT OF AGRICULTURE		
<i>Passed through State Department of Education:</i>		
Child Nutrition Cluster		
National School Lunch Program - cash assistance	10.555	176,614
National School Breakfast Program - cash assistance	10.553	58,871
Summer Food Service Program for Children	10.559	2,483
<i>Passed through State Department of Human Services:</i>		
Food Distribution Program (Note 2)	10.565	19,636
Fresh Fruit and Vegetables Grant - noncash assistance	10.582	<u>1,500</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE		259,104
TOTAL FEDERAL AWARDS		<u>\$ 525,494</u>

Note 1: Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Hackett School District No. 17 and is presented on the regulatory 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 Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of: the basic financial statements.

Note 2: This is the fair market value of commodities received during the year.

Note 3: During the year ended June 30, 2014, the District expensed Medicaid funds in the amount of \$3,936 from the Department of Human Services. Such payments are not considered to be Federal awards expenditures, and therefore, are not included in the above schedule.

HACKEIT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS-REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014
 (Unaudited)

	2014	2013	2012	2011	2010
General Fund					
Total Assets	\$ 1,166,632	\$ 1,190,317	\$ 1,280,387	\$ 1,242,461	\$ 1,248,399
Total Liabilities	12,347	21,866	121,046	119,321	144,786
Total Fund Balance	1,154,285	1,168,451	159,341	1,123,140	1,103,613
Total Revenue	5,023,780	4,926,607	4,974,174	4,714,933	4,597,953
Total Expenditures	4,684,630	4,638,437	4,659,714	4,491,914	4,284,228
Total Other Financing Sources (Uses)	(353,316)	(272,665)	(278,260)	(203,491)	(370,168)
Special Revenue Fund					
Total Assets	27,287	32,354	38,178	82,152	458,108
Total Liabilities	29,505	11,363	342	38,126	376,783
Total Fund Balance	(2,218)	20,990	37,836	44,026	81,325
Total Revenue	497,248	541,983	606,551	825,615	1,478,233
Total Expenditures	531,420	558,828	612,841	862,915	1,478,507
Total Other Financing Sources (Uses)	10,964.00		100		1,500
Other Aggregate Fund					
Total Assets	338,654	657,471	445,054	481,526	585,536
Total Liabilities			350	17,050	70,738
Total Fund Balance	338,654	657,471	444,704	464,476	514,798
Total Revenue	359,632	73,931	105,709	293,191	422,827
Total Expenditures	1,020,801	345,352	408,454	582,598	790,135
Total Other Financing Sources (Uses)	\$ 342,352	\$ 484,188	\$ 282,973	\$ 239,085	\$ 370,981

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
SUPPLEMENTAL DATA SHEET
FOR THE YEAR ENDED JUNE 30, 2014

Name and address:	Hackett School District No. 17 P.O. Box 188 Hackett, Arkansas 72937
Employer Identification Number:	71-6020450
Telephone Number:	479-638-8822
Superintendent:	William Pittman
Contact Person:	William Pittman

OTHER INFORMATION

School locations	Hackett Elementary Hackett High School
Enrollment	612
Employees	121
Building & Contents Valuation	\$24,197,838
School District Operating Fund Millage Rate	25.0
School District Debt Service Fund Millage Rate	13.0

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

The 2014 - 1 Segregation of Duties finding was restated.

HACKETT SCHOOL DISTRICT NO. 17
 SEBASTIAN COUNTY, ARKANSAS
 FINDINGS AND QUESTIONED COSTS
 SUMMARY OF AUDITOR'S RESULTS
 FOR THE YEAR ENDED JUNE 30, 2014

Financial Statement

Type of report issued: GAAP basis of reporting -adverse
 Regulatory basis of reporting -unmodified

Internal control over financial reporting:

Material weakness identified? No material weakness.

Significant deficiencies identified that are not considered to be material weakness? See page 26, item 2014- 1

Noncompliance statement: No material noncompliance.

Federal Awards

Internal control over major programs:

Material weakness identified? No material weakness identified

Significant deficiencies identified that are not considered to be material weakness? See page 27, item 2014- 1

Type of report issued on major programs: Unmodified Opinion

Any audit finding disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? No

Major programs identified:

<u>CFDA Number (s)</u>	<u>Name of Federal Program or Cluster</u>
84.027	Title VI-B
84.367	Title II-A
10.555, 10.553 & 10.565	Child Nutrition Cluster

Dollar threshold to distinguish between Type A and Type B programs: \$300,000

Statement of Risk of the Auditee: High Risk

HACKETT SCHOOL DISTRICT NO. 17
SEBASTIAN COUNTY, ARKANSAS
FINDINGS IN ACCORDANCE WITH GAGAS
FOR THE YEAR ENDED JUNE 30, 2014

Financial Statement Findings

2014 – I Segregation of Duties

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

Condition: The deficiency in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was more than a remote likelihood that a misstatement of the District's financial statements that would be more than inconsequential would not be prevented or detected. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

Context: An understanding of the five components of internal control sufficient the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures was obtained.

Effect: The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard the District's assets, were adversely affected by the identified weakness in the above internal control component.

Cause: District management, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiency in internal control.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District's assets.

Views of responsible officials and planned corrective actions: The District will establish segregation of duties to the extent possible.

HACKETT SCHOOL DISTRICT NO.17
SEBASTIAN COUNTY, ARKANSAS
FINDINGS AND QUESTIONED COSTS
FEDERAL AWARD PROGRAMS
FOR THE YEAR ENDED JUNE 30, 2014

Federal Award Programs

2014-1 Segregation of Duties

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

Condition: The deficiency in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was more than a remote likelihood that a misstatement of the District's financial statements that would be more than inconsequential would not be prevented or detected. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

Context: An understanding of the five components of internal control sufficient the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures was obtained.

Effect: The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard the District's assets, were adversely affected by the identified weakness in the above internal control component.

Cause: District management, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiency in internal control.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District's assets.

Views of responsible officials and planned corrective actions: The District will establish segregation of duties to the extent possible.

Other Reports



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Independent Auditors' Report on Compliance With Arkansas State Requirements

The School Board
Hackett School District No. J 7
Hackett, Arkansas

Report on Compliance for Each Major Federal Program

We have examined management's assertions, included in its representation letter dated December 9, 2014, that Hackett School District No. 17 (the District) complied with the requirements of Arkansas Code Annotated §6-1-101 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.

Opinion on Each Major Federal Program

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

Other Matters

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



Certified Public Accountants

Van Buren, Arkansas
December 9, 2014

Member of:

*American Institute of
Certified Public
Accountants

*Arkansas Society of
Certified Public
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**HACKETT SCHOOL DISTRICT NO. 17
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS
DEPARTMENT OF EDUCATION TO BE ADDRESSED IN
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
FOR THE YEAR ENDED JUNE 30, 2014**

<u>Description</u>	<u>Statutes</u>
Bidding & Purchasing Commodities	6-21-301 –6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201-6-20-1208; 6-20-1210
• Petty Cash	6-20-409
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611-6-13-613; 6-13-617-6-13-620; 6-13-1406; 6-24-101; 6-24-104- 6-24-105
• District Treasurer	6-13-701
o Warrants	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101-14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws - Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary increase 5% or more (certified & classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118; 6-13-1412; 6-13-1413
Teacher and Employees	
• Personnel Policies	6-17-201 et seq., 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
Teacher Salaries, the Minimum Foundation Program Aid Act	6-17-803; 6-17-907; 6-17-908; 6-17-911-6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201-22-9-205
Use of DM & O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees