FORT SMITH SCHOOL DISTRICT #100

FINANCIAL STATEMENTS

JUNE 30, 2017

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

FORT SMITH SCHOOL DISTRICT #100

JUNE 30, 2017

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PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major funds, and aggregate remaining fund information of the **Fort Smith School District #100 (the District)** as of and for the year ended **June 30, 2017**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

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Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, major funds, and the aggregate remaining fund information of the **Fort Smith School District #100**, as of **June 30, 2017**, and the respective changes in financial position of those activities and funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, and information for cost-sharing employer plans on pages 4 through 11, and 44 through 45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Fort Smith School District #100** financial statements. The schedule of expenditures of state awards, school lunch fund information, and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for the purposes of additional analysis and are not a required part of the financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards,* we have also issued our report dated December 1, 2017, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
December 1, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

FORT SMITH PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ended June 30, 2017

This section of the Fort Smith Public School District's annual financial report provides an overall review of the District's financial performance for the fiscal year ended June 30, 2017. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Using the Basic Financial Statements

The basic financial statements are comprised of two distinct series of financial statements, district-wide and fund. The differences between district-wide and fund financial statements are attributable to the accrual basis of accounting versus the modified accrual basis of accounting and are reconciled on pages 15 and 17. Some of the significant differences between these two bases of accounting include:

- accounting for long-term debt balances, proceeds, and repayment;
- capitalization and depreciation of fixed assets; and
- the effects of GASB 68 pension liabilities standards.

District-Wide Financial Statements

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

The Governmental Accounting Standards Board (GASB) is responsible for setting standards that establish generally accepted accounting principles (GAAP) for governmental financial statements as reported in the district-wide statements. GASB 68 is a set of standards intended to improve transparency and accountability and to standardize actuarial practices in reporting pension obligations. Since the District participates in defined benefit pension plans with Arkansas Teachers Retirement System (ATRS) and Arkansas Public Employees Retirement System (APERS), GASB 68 standards apply to the District's audited financial statements.

The District's portion of the net pension liabilities and annual expenses, provided from ATRS and APERS, is incorporated in these financial statements. Specifically, these district-wide financial statements on page 12 include line items listed in the net pension liability in the noncurrent liabilities section and the entire sections of deferred outflows and deferred inflows. The consequences of GASB 68 to the District's net position make the district-wide financial statements less useful to the reader. Therefore, this analysis will focus less on these statements than has been done in the past.

Notwithstanding the GASB 68 distortions, the Fort Smith Public School District's overall financial position remains stable. Minor increases in enrollment have been accompanied with a small growth in revenue from state funds. While federal revenue has not increased in total, any categorical decreases have been relatively small.

Fund Financial Statements

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

Financial Analysis of District–Wide Financial Statements

Net assets of the District on June 30, 2017 reflect an actual excess of liabilities over assets of $0.5 million. The Statement of Net Position presented on page 12 reflects the details, while the following is a summarized comparison for analysis.

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

	Governmental Activities		
	2017	2016	$ of Change
Current Assets	$32.3	$33.1	-$0.8
Capital Assets	149.4	151.9	-2.5
Deferred Outflows	40.4	32.7	7.7
Total Assets	222.1	217.7	4.4
Current Liabilities	7.6	7.6	0.0
Non-current Liabilities			
Other Liabilities	73.4	75.5	-2.1
Net Pension Liabilities	139.6	102.2	37.4
Deferred Inflows	2.0	28.6	-26.6
Total Liabilities	222.6	213.9	8.7
Net Assets:			
Invested in Capital Assets, net of related debt	81.5	81.8	-0.3
Restricted Net Position	9.9	7.4	2.5
Unrestricted Net Position	-91.9	-85.4	-6.5
Total Net Position	-$0.5	$3.8	-$4.3

Table 1-1 above reflects a decrease in the financial position of the District with a $4.3 million decrease in total net position. The GASB 68 related accruals have been isolated, even to the point that net pension liabilities appear separately in the non-current liabilities section. This was done purposefully to show the reader the impact of changes in GASB 68 related items in comparison to the financial statements as a whole. More specifically, the increase in net pension liabilities and deferred inflows overshadows the increase in deferred outflows by $3.1 million. This is the primary factor explaining the decrease of $6.5 million in the unrestricted net position. Restricted net position increased by a net of $2.5 million because of sinking funds obligations paid.

Current assets, current liabilities and other non-current liabilities changes are due to the timing of the flow of cash and liabilities that will occur at any given point in time. Regarding capital assets, capital project funds have been almost fully invested. The District has reached the point that depreciation expense is exceeding the capitalization of assets, driving the capital assets (assets net of depreciation) down by $2.5 million.

The results of this year's operations as a whole are reported in the Statement of Activities on page 13. Total expenses on page 13 are reported in the first column of this report and are reduced by specific charges and grants that directly relate to specific expense categories to yield the final amount of the District's activities that are supported by other general revenues. The impact of GASB 68 makes further analysis of this financial statement unwarranted.

Financial Analysis of Fund Financial Statements

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

On June 30, 2017, the District governmental funds reported a combined fund balance of $30.4 million, which is a decrease of $0.6 million from June 30, 2016 balances. Table 1-2 presents the changes in the major fund balances of the District.

Table 1-2
Fort Smith Public School District
Schedule of Changes in Fund Balances
(in millions of dollars)

	Fund Balances			
	2017	2016	$ of Change	% of Total Change
General Fund	$12.5	$12.3	$0.2	-33.3%
Debt Service Fund	8.6	7.0	1.6	-266.7%
Capital Projects Fund	5.1	5.5	-0.4	66.7%
Other Governmental Funds	4.2	6.2	-2.0	333.3%
	$30.4	$31.0	-$0.6	100.0%

The increase in the Debt Service Fund is a direct result of the sinking fund required for the repayment of the Qualified Zone Academy Bonds and Qualified School Construction Bonds. Information regarding the outstanding debt and the related annual debt service requirements may be found on pages 27-29 in the notes to the financial statements.

The Capital Projects Fund balance decreased as funds were expended to support construction projects during the current year. While some funds were transferred from the General Fund to the Capital Projects Fund, they did not offset these expenditures. These transfers were subsequently returned to the General Fund, so the ability to make significant facility improvements in the future will require revenue which cannot be provided using the current tax rate. The FSPS *ad valorem* tax rate is the lowest of any of Arkansas' large school districts and it is becoming more difficult to remain competitive with comparable school districts which have significantly more resources. Only by using a number of creative financing tools has the District been able to keep existing facilities in good repair.

In light of recent legislative initiatives, the decrease in Other Governmental Funds was done purposefully to reduce balances in various state supported funds. Legislators have begun to openly question unspent balances in these state funds, rather than allow districts to manage fund balances prudently under the knowledgeable eye of local school boards working toward long term goals.

Table 1-3 (below) summarizes the financial statement for the years ended June 30, 2017 and 2016 reported on page 16. This table first looks at all funds and then isolates the General Fund. The General Fund is the least restrictive of the governmental funds. The fund balance of all funds decreased by $0.6 million, while the General Fund increased by $0.2 million in the same time frame.

Table 1-3
Fort Smith Public School District
Condensed Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Funds
(in millions of dollars)

	All Funds			General Fund		
	2017	2016	$ of Change	2017	2016	$ of Change
Revenue						
Local property taxes	$52.9	$53.6	-$0.7	$52.9	$53.6	-$0.7
State Assistance	76.8	76.7	0.1	58.1	58.3	-0.2
Restricted federal aid	22.0	21.3	0.7	0.0	0.0	0.0
Other	3.6	3.4	0.2	1.2	0.9	0.3
	155.3	155.0	0.3	112.2	112.8	-0.6
Expenditures						
Instruction	81.8	78.8	3.0	62.1	59.4	2.7
Support services	56.7	54.8	1.9	43.1	42.2	0.9
Food service	7.4	7.4	0.0	0.0	0.0	0.0
Capital outlay	6.3	5.1	1.2	3.5	1.2	2.3
Debt service	5.0	5.1	-0.1	0.0	0.0	0.0
	157.2	151.2	6.0	108.7	102.8	5.9
Other Financing Sources (Uses)						
Insurance recoveries	1.3	0.1	1.2	1.3	0.1	1.2
Other sources	0.0	0.2	-0.2	0.2	0.1	0.1
Transfers In (Out)	0.0	0.0	0.0	-4.8	-9.8	5.0
	1.3	0.3	1.0	-3.3	-9.6	6.3
Change in Fund Balance	-0.6	4.1		0.2	0.4	
Beginning Fund Balance	31.0	26.9		12.3	11.9	
Ending Fund Balance	$30.4	$31.0	-$0.6	$12.5	$12.3	$0.2

The table reveals that while overall revenue growth is flat, there was an increase in instructional services of $3.0 million, with a $2.7 million increase originating in the General Fund. There are no extraordinary changes in funds aside from the insurance recoveries of $1.2 million.

Arkansas legislators and the office of the state's Education Department Commissioner continue to keep a watchful eye on the General Fund balance of public schools. Significant declines in the General Fund balance over time are considered key indicators of fiscal distress. The District's stability in the General Fund is a direct result of good financial stewardship of taxpayer resources.

General Fund Budgetary Highlights

Arkansas Code Annotated §6-20-2202 states that each school district of the state shall prepare annually a budget of expenditures and receipts, which shall be filed with the Arkansas Department of Education (ADE) in an electronic format. Although no provision currently exists for revisions to be submitted to the ADE over the course of the year, management reviews the District's budget, making internal budget adjustments as unexpected changes in revenue and expenditures occur. The District's Board approved the original budget in a legally held meeting on August 22, 2016.

A schedule showing the General Fund's original budget compared with actual operating results (on a budgetary basis) is provided in this report on page 43. While the District's budget anticipated a deficit originally, the actual results for the year show that the deficit was erased by a number of factors. This favorable outcome is reflected in three categories.

Total favorable revenue variances of $1.8 million were due to unanticipated revenues in contributions, other local revenue and accelerated property tax collections. In addition to the total favorable revenue variance, there was a total favorable expenditure variance of $0.6 million. Individually, expenditure variances were favorable in categories such as regular programs and support services. Under the category of other financing sources, the insurance recoveries of $1.3 million was a favorable budget variance as the District continued to make repairs of damages caused by hail in April of 2016.

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

Capital Assets and Debt Administration

Capital Assets

As reflected on Table 1-4, the District, on June 30, 2017, had $149.4 million (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, furniture, buses and vehicles, computers, and other equipment. Significant improvements during the year were made to the track at Southside High School. Federal funds were used to develop and improve preschool playgrounds around the district. During the current fiscal year, a net of $5.5 million in assets were capitalized. Depreciation expense for the years ending June 30, 2017 and 2016 amounted to $8.7 million and $8.6 million, respectively.

Table 1-4
Fort Smith Public School District
Condensed Schedule of Capital Assets Net of Depreciation
(in millions of dollars)

	2017	2016	$ of Change
Land	$7.1	$7.1	$0.0
Land Improvements	3.4	2.8	0.6
Construction in Progress	1.8	3.0	-1.2
Buildings and Improvements	121.9	124.1	-2.2
Furniture, Fixtures and Equipment	13.5	13.6	-0.1
Vehicles	1.7	1.3	0.4
	$149.4	$151.9	-$2.5

Long-Term Debt

On June 30, 2017, the District had outstanding long-term debt of $79.1 million compared to $81.0 million on June 30, 2016. No bonds were refinanced nor was there issuance of new long-term debt. Net changes in compensated absences increased by $0.7 million as the District's cost for classroom substitutes grew. The repayments to bonded and other long-term debt made during the year were $2.7 million.

Although it has grown significantly in the last decade, the debt of Fort Smith Public Schools continues to be at a low level. FSPS debt is among the lowest of school districts in the area. The issuance of second lien bonds, Qualified Zone Academy Bonds and planned restructuring of existing debt provides a mix of financing measures to effectively keep debt low while addressing facility needs.

Additional information regarding the District's long-term debt can be found in Note 7 on pages 28-29.

Final Financial Highlights and Analysis

The General Fund has been highlighted throughout this analysis. It has two primary sources of revenue. The first, local property tax, is the result of local personal property and real estate assessed values taxed at a taxpayer supported millage rate. The second, state assistance (a.k.a. foundation funding), comes from the state and is awarded to school districts by multiplying a district's student count by a legislature approved dollar amount.

There are four factors – student count, foundation funding rate, assessment value and millage rate - driving the two revenue sources of the General Fund. It is this revenue that pays for the primary operations of the District. It is these four factors that are relevant to review against the backdrop of the 2016-17 financial statements.

- Not only was the current millage rate of 36.5 mills unchanged from the previous fiscal year, it is unchanged since 1987. Therefore, this revenue factor provided no new funds in the 2016-17 fiscal year.

- Assessed valuation continues to be stagnant. A review of assessment trends reveals that the increases in total assessment for the calendar year of 2015 (collected in 2016) were below 2% from the previous year. Therefore, this revenue factor provided less than adequate funds to keep up with the usual growth in operating costs of the district in the 2016-17 fiscal year.

- It is understood that the 2015 session of the Arkansas General Assembly resulted in an increase in the adopted level of foundation funding which was insufficient to allow for the pattern of regular salary increases to be approved for 2016-17. The $62 increase to the foundation funding rate provided less than adequate funds to keep up with the usual growth in operating costs of the district in the 2016-2017 fiscal year.

- The student count that is used for the calculation of foundation funding is based upon a district's previous year's third quarter average daily membership (3Q-ADM). For the 2016-17 fiscal year, the 3Q-ADM of the 2015-2016 fiscal year is the important number. This review reveals that there was no growth in students for 3Q-ADM 2015-2016. Therefore, this revenue factor provided no new funds in the 2016-17 fiscal year.

The Fort Smith Public Schools continued to reflect a percentage of students qualifying for free or reduced price meals which qualify the district for categorical funding to address the needs of economically disadvantaged students. The 2016-17 percentage of approximately 72% continued funding at the second tier of the state's National School Lunch Act (NSL) formula. These funds provide for instructional staff, technology, support personnel and other services to help provide equitable opportunities for all students.

It is important to note that Arkansas legislators have frozen the NSL rates, effective with the 2017-2018 fiscal year. Declining support for these funds, as discussed by state legislators openly, would prove to be a hardship to the District. Simply reallocating other resources is not available to the District and tough decisions regarding the future of NSL supported programs would be required.

Economic Factors and Next Year's Budget

The Board of Education adopted the 2017-18 budget on August 28, 2017. Revenue and other resources are projected to total $161.2 million while expenditures should total $167.3 million as funds devoted to scheduled capital expenditures are depleted.

The 2017-18 budget includes an increase of $200 to the base salary schedule for certified staff for the year that trickles down to other district salary schedules. This base salary increase had a budgetary impact of over $500,000. Due to lackluster growth in operating revenues, future salary increases should be scrutinized closely.

Specifically, the four factors of the General Fund, described above, once again had minimal growth as reflected in the approved 2017-18 budget.

- The 2017-18 millage rate remained unchanged. Therefore, this revenue factor provided no new funds in the 2017-18 fiscal year budget.

- It can be stated that assessed valuation in 2016 increased above the growth that had been seen in the previous five years. Sadly, this growth in 2016 was only impressive compared to the anemic growth seen in the last half decade. Growth of under 3% should still be considered less than impressive. Therefore, this revenue factor provided only minimal new funds in the 2017-2018 fiscal year budget.

- The 2017 session of the Arkansas General Assembly locked foundation funding for two fiscal years. The 2017-2018 rate increase of $67 per student was matched with an equally inadequate rate increase of $68 per student in 2018-2019. This four year trend of annual growth of 1% appears to be the future of state assistance in the form of foundation funding. Once again, this increase provided less than adequate funds to keep up with the usual growth in operating costs of the district.

- For the 2017-18 fiscal year, the 3Q-ADM of the 2016-17 fiscal year is the important number for foundation funding in the 2017-18 fiscal year budget. This review reveals that the district only grew by 20 students for the 3Q-ADM compared to the previous year. Therefore, student growth provided less than adequate funds to keep up with the usual growth in operating costs of the district.

Subsequent to the 2017-18 fiscal year budget adoption, there has been no evidence to believe meaningful revenue growth will be seen in the near future without school board action. An October 2, 2017, student count documented a decline of 155 students over the student count of October 3, 2016. Student growth could still be positive by the time the 3Q-ADM is calculated, but this is unlikely.

Assessed values have not yet been disclosed by county officials, but there is no indication that dramatic increases are on the horizon.

As previously discussed, foundation funding rate increases of 1% have been legislated for the next fiscal year beyond our current 2017-2018 fiscal year.

Of the four factors, only the millage rate remains to be discussed. The prospect of changing the millage rate may bring about the only real growth in revenue in the immediate future.

In conclusion, management's discussion of the General Fund is provided throughout this analysis as a result of Act 1105 of the 2017 session of the Arkansas General Assembly. State legislators have now capped the "net legal fund" as defined by the statute. The General Fund makes up the primary balance of this "net legal fund" and will be closely monitored by the District as the statute becomes effective at the endo of the 2017-2018 fiscal year.

Contacting the District's Financial Management Official

While this Management Discussion and Analysis is designed to provide a general overview of the financial condition and operations of the District, citizen groups, taxpayers, parents, students, investors or creditors may want further details. To obtain such details, please contact Charles Warren, Chief Financial Officer or Dr. Doug Brubaker, Superintendent of Schools at the Fort Smith Public Schools, 3205 Jenny Lind, Fort Smith, AR 72901 or by calling (479) 785-2501 during regular office hours or via e-mail at cwarren@fortsmithschools.org or dbrubaker@fortsmithschools.org.

FINANCIAL STATEMENTS

FORT SMITH SCHOOL DISTRICT #100

STATEMENT OF NET POSITION

AS OF JUNE 30, 2017 AND 2016

	Governmental Activities	
Assets	**2017**	**2016**
Current Assets:		
Cash and temporary investments	$ 25,538,070	$ 27,666,422
Receivables:		
Intergovernmental	5,380,740	3,931,458
Other	17,018	2,191
Inventories, at cost	597,091	594,663
Prepaid items	749,020	925,051
Total Current Assets	32,281,939	33,119,785
Noncurrent Assets:		
Capital Assets:		
Land	7,087,939	7,077,802
Land improvements	6,161,664	5,435,505
Building and improvements	197,375,329	193,775,620
Furniture, fixtures, and equipment	40,357,629	38,888,496
Vehicles	8,127,034	7,318,829
Construction in process	1,853,741	2,979,066
Less accumulated depreciation	(111,568,616)	(103,577,738)
Capital Assets-Net	149,394,720	151,897,580
Total Assets	181,676,659	185,017,365
Deferred Outflows		
Deferred loss on refunding, net of amortization	313,783	323,129
Deferred outflows related to pension	40,156,176	32,372,062
Total Deferred Outflows	40,469,959	32,695,191
Liabilities		
Current liabilities:		
Accounts payable	444,499	420,446
Payroll withholdings	1,447,871	1,743,247
Current portion of long-term debt	4,727,290	4,555,006
Accrued interest	546,306	565,245
Compensated absences	400,000	300,000
Total Current Liabilities	7,565,966	7,583,944
Noncurrent liabilities:		
Bonds and notes payable, net of unamortized bond discounts	68,195,680	70,967,200
Compensated absences	5,252,091	4,588,645
Net pension liability	139,635,046	102,159,598
Total Noncurrent Liabilities	213,082,817	177,715,443
Total Liabilities	220,648,783	185,299,387
Deferred Inflows		
Deferred inflows related to pension	1,964,691	28,629,348
Total Deferred Inflows	1,964,691	28,629,348
Net Position		
Net investment in capital assets	81,547,791	81,766,707
Restricted for:		
Encumbrances	1,892,382	946,121
Debt service	8,050,309	6,478,964
Unrestricted:		
Designated for insurance deductibles	200,000	200,000
Designated for unemployment benefits	500,000	500,000
Undesignated	(92,657,338)	(86,107,971)
Total Net Position - Deficit	$ (466,856)	$ 3,783,821

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017 WITH COMPARATIVE TOTALS FOR 2016

		PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
				GOVERNMENTAL ACTIVITIES	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	2017	2016
Governmental Activities					
Instruction:					
Regular programs	$ 59,203,150	$ 9,782	$ 6,456,234	$ (52,737,134)	$ (44,032,587)
Special education	11,076,098	-	4,538,597	(6,537,501)	(5,447,589)
Vocational education	3,532,752	-	330,438	(3,202,314)	(2,768,951)
Adult education	1,419,750	-	1,307,086	(112,664)	(125,481)
Compensatory education	7,337,905	-	6,207,060	(1,130,845)	(916,314)
Other instructional programs	3,084,341	100,259	2,780,241	(203,841)	(980,466)
Support services:					
Student	10,808,627	-	3,306,163	(7,502,464)	(6,495,269)
Instructional	16,107,315	-	8,130,184	(7,977,131)	(6,858,763)
General administration	1,037,610	-	3,712	(1,033,898)	(1,063,419)
School administration	8,655,453	-	114,569	(8,540,884)	(7,833,580)
Business	2,770,156	-	84,744	(2,685,412)	(2,680,444)
Operation and maintenance of plant	15,228,574	-	81,429	(15,147,145)	(14,998,873)
Student transportation	3,379,774	95,292	185,517	(3,098,965)	(2,803,883)
Central	2,866	-	109,515	106,649	119,820
Other	123,185	-	-	(123,185)	(142,428)
Community services	939,775	207,555	931,486	199,266	211,141
Food service	7,494,449	989,297	6,667,778	162,626	109,318
Facilities acquisition and construction	-	-	32,855	32,855	212,618
Interest and fees on long-term debt	2,428,936	-	36,149	(2,392,787)	(2,478,802)
Indirect cost	139,344	-	139,344	-	-
Depreciation - unallocated	6,214,385	-	-	(6,214,385)	(6,058,412)
Total Governmental Activities	160,984,445	1,402,185	41,443,101	(118,139,159)	(105,032,364)
Total Primary Government	$ 160,984,445	$ 1,402,185	$ 41,443,101	(118,139,159)	(105,032,364)
General Revenues:					
Property taxes levied for:					
General purpose				52,917,694	53,645,391
Grants and contributions not restricted to specific programs				58,345,485	58,632,224
Investment earnings				1,360,880	1,396,547
Insurance recoveries				1,315,915	107,008
Miscellaneous				10,854	12,582
Loss on asset disposal				(62,346)	(85,227)
Transfers				-	-
Total General Revenues and Transfers				113,888,482	113,708,525
Change in Net Position				(4,250,677)	8,676,161
Net Position at Beginning of Year				3,783,821	(4,892,340)
Net Position at End of Year				$ (466,856)	$ 3,783,821

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

BALANCE SHEET - GOVERNMENTAL FUNDS

AS OF JUNE 30, 2017

	General Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	$ 9,638,255	$ 8,596,615	$ 5,076,041	$ 2,227,159	$ 25,538,070
Receivables:					
Intergovernmental	3,255,665	-	-	2,125,075	5,380,740
Other	15,382	-	-	1,636	17,018
Inventories, at cost	462,948	-	-	134,143	597,091
Prepaid items	749,020	-	-	-	749,020
Total Assets	$ 14,121,270	$ 8,596,615	$ 5,076,041	$ 4,488,013	$ 32,281,939
Liabilities and Fund Balances					
Liabilities					
Accounts payable	$ 204,593	$ -	$ -	$ 239,906	$ 444,499
Payroll withholdings	1,447,871	-	-	-	1,447,871
Total Liabilities	1,652,464	-	-	239,906	1,892,370
Fund Balances					
Nonspendable	1,211,968	-	-	134,143	1,346,111
Spendable:					
Restricted	-	8,596,615	5,076,041	-	13,672,656
Assigned	2,479,946	-	-	4,113,964	6,593,910
Unassigned	8,776,892	-	-	-	8,776,892
Total Fund Balances	12,468,806	8,596,615	5,076,041	4,248,107	30,389,569
Total Liabilities and Fund Balances	$ 14,121,270	$ 8,596,615	$ 5,076,041	$ 4,488,013	$ 32,281,939

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION

AS OF JUNE 30, 2017

Total Fund Balances - Governmental Funds		$ 30,389,569
Amounts reported for governmental *activities* in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is $260,963,336 and the accumulated depreciation is $111,568,616.		149,394,720
Deferred outflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		40,156,176
Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Bonds payable and QZABs	$ (73,437,391)	
Accrued interest on bonds and QZABs	(546,306)	
Unamortized bond discounts	514,421	
Unamortized deferred loss on refinance of debt	313,783	
Compensated absences	(5,652,091)	
Net pension liability	(139,635,046)	(218,442,630)
Deferred inflows of resources related to pensions are applicable to future reporting periods and, therefore, are not reported in the funds.		(1,964,691)
Total Net Position - Governmental Activities		$ (466,856)

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2017

	General Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	$ 52,917,694	$ -	$ -	$ -	$ 52,917,694
Meal sales	-	-	-	989,297	989,297
Interest	139,585	1,208,623	10,122	2,550	1,360,880
Contributions	267,029	-	-	-	267,029
Other local revenues	736,558	-	-	282,776	1,019,334
State assistance	58,102,180	-	32,854	18,672,156	76,807,190
Unrestricted federal aid	10,854	-	-	-	10,854
Restricted federal aid	-	-	-	21,968,576	21,968,576
Total Revenues	112,173,900	1,208,623	42,976	41,915,355	155,340,854
Expenditures					
Current:					
Regular programs	50,558,425	-	-	5,487,460	56,045,885
Special education	7,464,535	-	-	3,323,511	10,788,046
Vocational education	3,018,233	-	-	334,920	3,353,153
Adult education	-	-	-	1,418,796	1,418,796
Compensatory education	576,066	-	-	6,582,712	7,158,778
Other instructional programs	430,907	-	-	2,620,710	3,051,617
Support services	42,910,321	-	-	12,855,297	55,765,618
Food service	-	-	-	7,412,238	7,412,238
Community services	181,277	-	-	753,506	934,783
Capital outlay	3,545,327	-	1,487,948	1,260,406	6,293,681
Debt service:					
Principal	-	2,662,697	-	-	2,662,697
Interest	-	2,366,644	-	-	2,366,644
Paying agent's fees	-	8,422	-	-	8,422
Total Expenditures	108,685,091	5,037,763	1,487,948	42,049,556	157,260,358
Excess of Revenues Over (Under) Expenditures	3,488,809	(3,829,140)	(1,444,972)	(134,201)	(1,919,504)
Other Financing Sources (Uses)					
Indirect cost reimbursement	139,344	-	-	(139,344)	-
Proceeds on sale of asset	37,066	-	-	-	37,066
Insurance recoveries	1,315,915	-	-	-	1,315,915
Operating transfers in	-	5,381,546	1,060,630	-	6,442,176
Operating transfers out	(4,817,375)	-	-	(1,624,801)	(6,442,176)
Total Other Financing Sources (Uses)	(3,325,050)	5,381,546	1,060,630	(1,764,145)	1,352,981
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	163,759	1,552,406	(384,342)	(1,898,346)	(566,523)
Fund Balance at Beginning of Year	12,305,047	7,044,209	5,460,383	6,146,453	30,956,092
Fund Balance at End of Year	$ 12,468,806	$ 8,596,615	$ 5,076,041	$ 4,248,107	$ 30,389,569

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

Total Net Change in Fund Balances - Governmental Funds		$ (566,523)
Amounts reported for governmental *activities* in the statement of activities are different because:		
Capital outlays are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense ($8,601,856) exceeds capital outlays ($5,089,544) in the period.		(2,403,448)
In the statement of activities, total interest expense is adjusted for the change between current year and prior year accrued interest which is shown on the statement of net assets. The current year adjustment is an decrease to interest expense.		18,939
Because more compensated absences were accrued during the year than were paid, a net increase in other long-term liabilities occurred. This is the amount by which compensated absences earned were more than compensated absences paid.		(763,446)
Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		2,662,697
Bond premiums, discounts and deferred loss on refunding costs are reported in governmental funds expenditures. However, in the statement of activities, the cost of those are allocated over the life of the bonds and is included as a component of interest expense. This is the amount by which amortization of bond discount costs and deferred loss on refunding ($68,880) exceeds current year net bond premium, discounts and deferred loss on refunding costs ($30,801).		(72,807)
The statement of activities reports a loss on disposal of assets which was due to writing-off the net book value of obsolete assets of the District. The loss on disposal is calculated as follows:		
Cost of assets disposed	(805,663)	
Accumulated depreciation of assets disposed	706,251	(99,412)
Governmental funds report agency pension contributions as expenditures. Some items reported in the Statement of Activities represent a change in net position that applies to future periods and includes the difference between expected and actual experience, changes in assumptions, expected earnings on plan investment, and employer contributions that are not recognized as an outflow or inflow until a future period and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
District pension contributions	13,225,159	
Cost of benefits earned net of employee contributions	(16,251,836)	(3,026,677)
Change in Net Position of Governmental Activities		$ (4,250,677)

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

STATEMENT OF FIDUCIARY NET POSITION

AS OF JUNE 30, 2017

		STUDENT ACTIVITY FUND
Assets		
Current Assets		
Cash and cash equivalents	$	1,088,620
Total Assets	$	1,088,620
Liabilities		
Due to student groups	$	1,088,620
Total Liabilities	$	1,088,620

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity

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

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

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

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

The District has the following fund types:

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

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

Governmental funds include the following fund types:

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

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

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

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

1. Summary of Significant Accounting Policies (continued)

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

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

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

c. Assets, Liabilities and Equity

Deposits and investments

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

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

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

Receivables and payables

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

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

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Inventories

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

Prepaid Expenses

Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses using the consumption method by recording a current asset for the prepaid amount at the time of purchase and reflecting the expense in the year which services are consumed.

Fixed assets

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

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

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

Fair Value of Financial Instruments

The District's financial instruments include cash and temporary investments, accounts receivable, inventories, 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 statement of net position. The carrying amount of these financial instruments approximate fair value because of the short maturity of these investments.

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Use of estimates

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

Compensated absences

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

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

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

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Fund equity

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

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

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

Comparative information

Comparative information for the 2016 fiscal year has been presented on the government-wide financial statements. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with financial statements for the year-ended June 30, 2016 from which the summarized information was derived.

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the third Monday of February in the following year and are considered delinquent after October 15 of that year. The County is the collecting agent for the levy and remits the collections to the District, net of a collection fee. The 2016 assessed valuation upon which taxes will be levied in 2017 is $1,526,293,767. The tax levy by fund is as follows:

General Fund	$	38,157,344
Debt Service		17,552,378
Total	$	55,709,722

Property taxes collected by the Sebastian County Collector in June of 2017, but not released to the District until July of 2017 are required to be accrued and recognized as revenue as of June 30, 2017. This amount accrued totaled $1,943,816.

3. Stewardship, Compliance and Accountability

Budgetary Information

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

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

4. Deposits and Temporary Investments

The District maintains its operating bank accounts in three area banks. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at these institutions. In addition, deposits are collateralized by the bank through the pledging of securities. At June 30, 2017, the District all of the District's deposits were insured or collateralized.

In addition, certain temporary investments related to bond ordinances and indentures are held in escrow by financial institutions' trust departments for repayment of debt.

5. Inventories

Components of the June 30, 2017 inventories are as follows:

Maintenance supplies	$	95,693
Instructional supplies		358,108
Food and supplies		134,143
Fuel		9,147
Total	$	597,091

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

6. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Capital assets, not being depreciated				
Land	$ 7,077,802	$ 10,137	$ -	$ 7,087,939
Construction in progress	2,979,066	-	1,125,325	1,853,741
Total capital assets not being depreciated	10,056,868	10,137	1,125,325	8,941,680
Capital assets, being depreciated				
Land improvements	5,435,505	745,260	19,101	6,161,664
Buildings and improvements	193,775,620	3,599,709	-	197,375,329
Furniture, fixtures and equipment	38,888,496	2,179,330	710,197	40,357,629
Vehicles	7,318,829	884,570	76,365	8,127,034
Total capital assets, being depreciated	245,418,450	7,408,869	805,663	252,021,656
Less accumulated depreciation:				
Land improvements	2,601,539	212,020	9,312	2,804,247
Buildings and improvements	69,630,457	5,857,869	-	75,488,326
Furniture, fixtures and equipment	25,284,063	2,210,499	620,574	26,873,988
Vehicles	6,061,679	416,741	76,365	6,402,055
Total accumulated depreciation	103,577,738	8,697,129	706,251	111,568,616
Total capital assets, being depreciated, net	141,840,712	(1,288,260)	99,412	140,453,040
Governmental activities, capital assets, net	$ 151,897,580	$ (1,278,123)	$ 1,224,737	$ 149,394,720

6. Changes in Capital Assets (continued)

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

Instruction:		
Regular programs	$	447,439
Special education		5,260
Vocational education		56,726
Adult education		954
Compensatory education		148,378
Other instructional programs		32,724
Support services:		
Student		13,996
Instructional		266,274
General administration		3,868
School administration		26,414
Business		47,682
Operation and maintenance of plant		990,285
Student transportation		352,675
Central		2,866
Food service		82,211
Community services		4,992
Depreciation - unallocated		6,214,385
Total depreciation expense	$	8,697,129

7. Long-Term Debt

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

The District is required with the 2005, 2011, and 2012 QZAB issues and all of the QSCB issues to establish a sinking fund that will be funded on the anniversary date of the issues as prescribed in the agreements.

7. Long-Term Debt (continued)

The following is a summary of the District's 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:				
Bond issue dated October 1, 2010	$ 2,085,000	$ -	$ 235,000	$ 1,850,000
Bond issue dated June 1, 2011	4,930,000	-	565,000	4,365,000
Bond issue dated May 1, 2012	3,880,000	-	450,000	3,430,000
Bond issue dated December 1, 2012	3,560,000	-	195,000	3,365,000
Bond issue dated September 1, 2013	9,140,000	-	285,000	8,855,000
Bond issue dated January 1, 2014	8,690,000	-	185,000	8,505,000
Bond issue dated July 7, 2015	4,640,000	-	540,000	4,100,000
Bond issue dated April 7, 2016	6,410,000	-	-	6,410,000
Total General Obligation Bonds	43,335,000	-	2,455,000	40,880,000
Other Long-term Debt				
Qualified Zone Academy Bonds September 1, 2005	627,342	-	-	627,342
Qualified Zone Academy Bonds dated October 2, 2007	1,502,746	-	207,697	1,295,049
Qualified Zone Academy Bonds dated October 6, 2011	3,885,000	-	-	3,885,000
Qualified School Construction Bonds dated November 4, 2009	5,125,000	-	-	5,125,000
Qualified School Construction Bonds dated December 1, 2010	7,940,000	-	-	7,940,000
Qualified School Construction Bonds dated October 6, 2011	1,115,000	-	-	1,115,000
Qualified Zone Academy Bonds dated November 5, 2012	12,570,000	-	-	12,570,000
Total Other Long-term Debt	32,765,088	-	207,697	32,557,391
Other Long-term liabilities				
Compensated absences	4,888,645	1,138,610	375,164	5,652,091
Total	$ 80,988,733	$ 1,138,610	$ 3,037,861	$ 79,089,482

7. Long-Term Debt (continued)

Annual debt service requirements to maturity are as follows:

	Total	Principal	Interest
2018	$ 7,030,000	$ 4,727,290	$ 2,302,710
2019	7,150,511	4,899,600	2,250,911
2020	7,163,693	4,971,934	2,191,759
2021	7,673,811	5,547,435	2,126,376
2022	7,142,800	5,086,881	2,055,919
2023-2027	30,232,276	21,106,192	9,126,084
2028-2032	22,079,971	16,100,885	5,979,086
2033-2037	11,965,719	9,327,174	2,638,545
2038-2039	1,740,005	1,670,000	70,005
	$ 102,178,786	$ 73,437,391	$ 28,741,395

A summary of each bond issue is as follows:

Date of Issue	Amount of Original Issue ($)	Interest Rate Percent	Range of Payment Dues	Range of Annual Maturities ($)
10/1/2010	3,255,000	1.00/3.00	2-2011/2-2024	45,000/290,000
6/1/2011	6,690,000	2.00/2.75	8-2011/2-2024	185,000/675,000
5/1/2012	5,125,000	1.50/2.00	8-2012/8-2023	68,794/530,650
12/1/2012	4,120,000	.60/2.70	2-2014/2-2032	170,000/265,000
9/1/2013	9,140,000	1.45/4.15	12-2016/12-2038	185,000/560,000
1/1/2014	9,230,000	1.00/4.20	2-2015/2-2038	255,000/570,000
QZAB 9/1/2005	627,342	0	9/1/2021	627,342
QZAB 10/2/2007	3,085,000	1.10	10-2008/10-2022	190,292/221,787
QZAB 10/6/2011	3,885,000	4.30	4-2012/10-2029	215,834
QSCB 11/4/2009	5,125,000	2.17	11-2010/11-2025	320,313
QSCB 12/1/2010	7,940,000	5.125	12-2011/12-2029	417,895
QSCB 10/6/2011	1,115,000	4.375	4-2012/10-2029	61,945
QZAB 11/5/2012	12,570,000	3.90	11-2016/11-2035	12,570,000
7/1/2015	4,890,000	1.00/1.90	2-2016/2-2024	250,000/635,000
4/1/2016	6,410,000	2.00/2.25	12-2016/6-2030	300,000/525,000

8. Bond Premium/Discount Costs and Deferred Loss on Refunding

Bond discount costs incurred in connection with the issuance of the 2010, 2011, 2012, 2013, 2014, and 2015 Series general obligation bonds are being amortized over 12 to 20 years. Bond discount costs incurred in connection with the issuance of the 2007, 2011 and 2012 QZABs are being amortized over 15, 18 and 22 years, respectively. Bond discounts incurred with the 2009, 2010 and 2011 QSCBs are being amortized over 15, 20 and 18 years, respectively. The reoffering premium incurred in connection with the 2016 bond issuance is being amortized over 15 years. Amortization of the bond discounts totaled $38,233 and is included in interest and fees on long-term debt in the statement of activities. The unamortized portion is netted with total long-term debt.

The deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The balance of $313,783 is shown as deferred outflows on the statement of net assets and is amortized over the life of the new debt which ranges from 9 to 20 years. Amortization of the deferred loss totaled $32,203 and is included in interest and fees on long-term debt in the statement of activities.

9. Risk Management

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

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

10. Employee Retirement Systems and Plans

The District participates in two employee defined benefit pension plans as follows:

Name of Defined Benefit Plan	Type of Defined Benefit Plan
Arkansas Teacher Retirement System	Cost Sharing Multiple Employer
Arkansas Public Employees Retirement System	Cost Sharing Multiple Employer

10. Employee Retirement Systems and Plans (continued)

Aggregate amounts for the three pension plans are as follows:

	ARTRS	APERS	Total
Net pension liability	$ 139,475,809	$ 159,237	$ 139,635,046
Deferred outflows of resources	26,890,863	40,154	26,931,017
Deferred outflows of resources - contributions	13,210,248	14,911	13,225,159
Deferred inflows of resources	1,934,466	30,225	1,964,691
Pension expense	16,234,630	15,920	16,250,550

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arkansas Teacher Retirement System and the Arkansas Public Employees Retirement System (together, the Plans) and additions to / deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by the Plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Arkansas Teacher Retirement System ("System")

The District contributes to the Arkansas Teacher Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan that covers employees of schools and education related agencies, except certain non-teaching school employees. Section 24-7-301 of the Arkansas Code of 1987 Annotated assigns the authority to establish and amend benefit provisions to the System's Board of Trustees. The System provides retirement, death and disability benefits and annual cost-of-living adjustments to plan members and beneficiaries. The System issues a publicly available financial report that includes financial statements and required information. The report may be obtained by writing to ATRS, 1400 West Third Street, Little Rock, AR 72201 or by calling (800) 666-2877.

Benefit Provisions

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member’s final average salary (effective April 1, 1998, computed using highest three years salary) and (2) the number of years of service.

10. Employee Retirement Systems and Plans (continued)

Contributions

ATRS's funding policy provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. The employer contribution rate was 14% for the fiscal years ending June 30, 2017 and 2016. Contributory members are required to contribute 6% of gross wages to ATRS. Employee contributions are refundable if ARTRS-covered employment terminates before a monthly benefit is payable. Employee contributions remaining on deposit with ATRS for a period of one or more years earn interest credits, which are included in the refund.

Contributions made by the District were $13,210,248 for the year ended June 30, 2017.

ATRS Fiduciary Net Position

Detailed information for about ATRS's fiduciary net position is available in the separately issued ATRS Financial Report available at http://www.artrs.gov/publications.

Measurement Date

The collective Net Pension Liability was measured as of June 30, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the District's proportionate share was 3.161682%

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2016 and the District's report ending date of June 30, 2017, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The following actuarial methods and assumptions were used to determine contribution rates reported in the schedule of contributions:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Amortization period	30 years
Asset valuation method	4-year smoothed market for funding purposes; 20% corridor
Wage inflation	3.25%
Salary Increases	3.25% to 9.10%, including inflation
Investment rate of return	8.00%

10. Employee Retirement Systems and Plans (continued)

Actuarial Assumptions (continued)

Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study for the period July 1, 2005 - June 30, 2010.
Mortality	RP-2000 Mortality Table for males and females projected 25 years with scale AA (95% for men and 87% for women).

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2005 through June 30, 2010.

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Allocation	Target	Long-Term Expected Real Rate of Return
Total Equity	50.0%	5.0%
Fixed Income	20.0%	0.8%
Alternatives	5.0%	4.4%
Real Assets	15.0%	3.4%
Private Equity	10.0%	6.3%
Cash Equivalents	0.0%	-0.2%
	100.0%	

10. Employee Retirement Systems and Plans (continued)

Discount Rate

Single Discount Rate – A single discount rate of 8.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.0%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 8.00%, as well as what the plan’s net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 7%	Current Rate 8%	1% Increase 9%
Net Pension Liability	$ 209,562,643	$ 139,475,809	$ 80,714,167

Deferred Outflows/Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 2,529,746	$ 1,934,466
Changes in assumptions on pension plan investments	21,374,954	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	2,986,163	-
District contributions subsequent to the measurement date	13,210,248	-
Total	$ 40,101,111	$ 1,934,466

10. Employee Retirement Systems and Plans (continued)

Deferred Outflows/Inflows of Resources (continued)

$13,210,248 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase or (decrease) to pension expense as follows:

Year ended June 30,	Net Increase/ (Decrease) in Pension
2018	$ 2,526,597
2019	2,526,597
2020	11,631,671
2021	8,211,018
2022	60,514
	$ 24,956,397

Arkansas Public Employees Retirement System ("System")

The District participates in the Arkansas Public Employees Retirement Districts (APERS). APERS is a cost-sharing, multiple employer, defined benefit plan which covers all State employees who are not covered by another authorized plan. The plan was established by the authority of the Arkansas General Assembly with passage of Act 177 of 1957. The costs of administering the plan are paid out of investment earnings.

The general administration and responsibility for the proper operation of the System is vested in the nine members of the Board of Trustees of the Arkansas Public Employees Retirement System (the Board). Membership includes three state and three non-state employees, all appointed by the Governor, and three ex-officio trustees, including the Auditor of the State, the Treasurer of the State and the Director of the Department of Finance and Administration.

The state of Arkansas issues an annual report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201.

10. Employee Retirement Systems and Plans (continued)

Benefits Provided

Benefit provisions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 and 6 and may only be amended by the Arkansas General Assembly. APERS provides retirement, disability and death benefits. Retirement benefits are determined as a percentage of the member's highest 3-year average compensation times the member's years of service. The percentage used is based upon whether a member is contributory or non-contributory as follows:

Contributory, prior to 7/1/2005	2.07%
Contributory, on or after 7/1/2005	2.03%
Non-Contributory	1.72%

Members are eligible to retire with a full benefit under the following conditions:

- at age 65 with 5 years of service,
- at any age with 28 years actual service,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005), or
- at age 55 with 35 years of credited service for elected or public safety officials.

Members may retire with a reduced benefit at age 55 with at least 5 years of actual service at age 55 or at any age with 25 years of service.

Members are eligible for disability benefits with 5 years of service. Disability benefits are computed as an age and service benefit, based on service and pay at disability. If a death occurs while in APERS covered employment, member's accumulated contributions are refundable. If a member had 5 years service, monthly benefits are payable instead. The surviving spouse receives a benefit computed as if a member had retired and elected the Joint & 75% Survivor Option. Payment begins immediately. Each dependent receives benefit of 10% of compensation (maximum of 25% for all children). If death occurs after retirement, if total monthly benefit payments equal member's accumulated contributions, the difference is refunded.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered (A.C.A. 24-2-701)(a)). Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan (A.C.A. 24-2-701(c)(3)). Employers contributed 4.00% of compensation for the fiscal years ended June 30, 2017 and 2016. In some cases, an additional 2.5% of member and employer contributions are required for elected officials.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2017

10. Employee Retirement Systems and Plans (continued)

Contributions (continued)

Contributions made by the District were $14,911 for the year ended June 30, 2017. Employees are not required to contribute to the Plan.

APERS Fiduciary Net Position

Detailed information about APERS's fiduciary net position is available in the separately issued APERS Financial Report available at http://www.apers.org/annualreports.

Timing of the Valuation

The collective Net Pension Liability was measured as of June 30, 2016, and the total pension liability used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Each employer's proportion of the Net Pension Liability was based on the employer's share of contributions to the pension plan relative to the total contributions of all participating employers. Based on this information, the District's proportionate share was 0.00665886%

There were no changes in assumptions or changes in benefit terms that affected measurement of the total pension liability. There were also no changes between the measurement date of June 30, 2016 and the District's report ending date of June 30, 2017, that would have had a significant impact on the net pension liability.

Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed (Level Dollar, Closed for District Judges New Plan and Paid Off Old Plan and District Judges Still Paying Old Plan)
Remaining Amortization Period	21 years (12 years for District Judges New Plan/Paid Off Old Plan and 19 years for District Judges Still Paying Old Plan)
Asset Valuation Method	4-Year smoothed market; 25% corridor (Market Value for Still Paying Old Plan)
Inflation	3.25% wage inflation, 2.50% price inflation
Salary Increases	3.25% – 9.85% including inflation (3.25% - 6.96% including inflation for District Judges)
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.

10. Employee Retirement Systems and Plans (continued)

Actuarial Assumptions (continued)

Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by the plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	38%	6.82%
International Equity	24%	6.88%
Real Assets	16%	3.07%
Absolute Return	5%	3.35%
Domestic Fixed	17%	0.83%
	100%	
Total Real Rate of Return		5.04%
Plus: Price Inflation - Actuary's Assumption		2.50%
Net Expected Return		7.54%

Single Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

10. Employee Retirement Systems and Plans (continued)

Single Discount Rate

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.50%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher:

Sensitivity of the Net Pension Liability to the Single Discount Rate

	1% Decrease 6.50%	Current Rate 7.50%	1% Increase 8.50%
Net Pension Liability	$ 241,044	$ 159,237	$ 91,153

Deferred Outflows/Inflows of Resources

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following resources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Differences between expected and actual experience	$ 150	$ 5,712
Changes in assumptions	12,203	-
Net difference between projected and actual earnings on pension plan investments	27,801	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	24,513
District contributions subsequent to the measurement date	14,911	-
Total	$ 55,065	$ 30,225

$14,911 reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018, any other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as an increase or (decrease) to pension expense as follows:

10. Employee Retirement Systems and Plans (continued)

Year ended June 30,		Net Increase/ (Decrease) in Pension
2018	$	(526)
2019		(1,645)
2020		6,805
2021		5,295
	$	9,929

11. Fund Balance Reporting

The District's fund balances are classified in accordance GASB 54. The intention of GASB 54 is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

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

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

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

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

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

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

Nonspendable: The District has inventories totaling $597,091 and prepaid items totaling $749,020 that are classified as nonspendable.

11. Fund Balance Reporting (continued)

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

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

Restricted for State Categorical Programs, Food Service, Debt Service, and Capital Projects:
Federal Laws, Arkansas Statutes and local ordinances require that certain revenues be specifically designed for the purposes of state categorical programs, debt service, and capital projects. The funds have been included in restricted category of fund balance. The restricted fund balances totaled $13,672,656 and represented $8,586,615 in debt service and $5,076,041 in capital projects. The restricted balance in capital projects includes $3,287,104 for outstanding encumbrances.

Assigned for School Operations and Capital Projects:
The School Board has set aside certain spendable fund balance for school operations, insurance deductibles, and unemployment benefits. At year end, the assigned fund balance is $6,593,910 of which $5,893,910 is for school operations, $200,000 is for insurance deductibles, and $500,000 is for unemployment benefits. The assigned fund balance for school operations includes $1,892,382 for outstanding encumbrances.

Unassigned:
The unassigned fund balance for the General Fund is $8,776,892.

	Major Funds				
Description	General Fund	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Fund Balances:					
Nonspendable:					
Inventories	$ 462,948	$ -	$ -	$ 134,143	$ 597,091
Prepaid Items	749,020	-	-	-	749,020
Restricted:					
Debt Service	-	8,596,615	-	-	8,596,615
Capital Projects:	-	-	2,898,681	-	2,898,681
Encumbrances	-	-	2,177,360	-	2,177,360
Assigned:					
School Operations:	-	-	-	4,001,528	4,001,528
Encumbrances	1,779,946	-	-	112,436	1,892,382
Insurance deductibles	200,000	-	-	-	200,000
Unemployment benefits	500,000	-	-	-	500,000
Unassigned	8,776,892	-	-	-	8,776,892
Total Fund Balance	$ 12,468,806	$ 8,596,615	$ 5,076,041	$ 4,248,107	$ 30,389,569

12. Operating Lease

The District leases a copy machine and related equipment under an operating lease. The District is invoiced monthly $4,420 for equipment rental and maintenance with additional fees for overages and color copies. For the year ended June 30, 2017, the District paid $71,059 for the copier lease. The term of the lease is 60 months ending April 3, 2020.

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

Year ending June 30,		
2018	$	53,040
2019		53,040
2020		44,200
Total	$	150,280

13. 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 $3,384,513 for the year ended June 30, 2017.

14. Subsequent Events

The District has evaluated events and transactions for subsequent events that would impact the financial statements for the year ended June 30, 2017 through December 1, 2017, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

FORT SMITH SCHOOL DISTRICT #100

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND - BUDGETARY BASIS

FOR THE YEAR ENDED JUNE 30, 2017

Revenues	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Local property taxes	$ 51,381,043	$ 52,917,694	$ 1,536,651
Tuition and services from other LEA	6,000	-	(6,000)
Interest	50,000	139,585	89,585
Contributions	48,843	267,029	218,186
Other local revenues	215,472	736,558	521,086
State assistance	58,623,916	58,102,180	(521,736)
Unrestricted federal aid	5,000	10,854	5,854
Total Revenues	110,330,274	112,173,900	1,843,626
Expenditures			
Current:			
Regular programs	51,793,123	50,558,425	1,234,698
Special education	7,319,809	7,464,535	(144,726)
Vocational education	2,945,017	3,018,233	(73,216)
Compensatory education	577,538	576,066	1,472
Other instructional programs	523,390	430,907	92,483
Support services	44,638,286	43,091,598	1,546,688
Capital outlay	1,529,271	3,545,327	(2,016,056)
Total Expenditures	109,326,434	108,685,091	641,343
Excess of Revenues Over (Under) Expenditures	1,003,840	3,488,809	2,484,969
Other Financing Sources (Uses)			
Indirect cost reimbursement	183,984	139,344	(44,640)
Proceeds on sale of asset	-	37,066	37,066
Insurance recoveries	-	1,315,915	1,315,915
Operating transfers	(4,705,383)	(4,817,375)	(111,992)
Total Other Financing Sources (Uses)	(4,521,399)	(3,325,050)	1,196,349
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(3,517,559)	163,759	3,681,318
Fund Balance at Beginning of Year	12,305,047	12,305,047	-
Fund Balance at End of Year	$ 8,787,488	$ 12,468,806	$ 3,681,318

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS
ARKANSAS TEACHER RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	3.161682%	3.132238%	3.047200%
District's proportionate share of the net pension liability	$ 139,475,809	$ 102,014,160	$ 79,989,554
District's covered-employee payroll	$ 92,642,165	$ 91,276,529	$ 88,114,626
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	150.55%	111.76%	90.78%
Plan fiduciary net position as a percentage of the total pension liability	76.75%	81.81%	84.98%

Schedule of Required Contributions

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	$ 12,969,907	$ 12,778,487	$ 12,336,181
Contributions in relation to the contractually required contribution	$ (12,969,907)	$ (12,778,487)	$ (12,336,181)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	92,642,165	$ 91,276,529	$ 88,114,626
Contributions as a percentage of covered-employee payroll	14.00%	14.00%	14.00%

Note to Schedule:
Only three fiscal years are presented because 10-year data not yet available.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

REQUIRED SUPPLEMENTAL INFORMATION FOR COST-SHARING EMPLOYER PLANS
ARKANSAS PUBLIC EMPLOYEES RETIREMENT SYSTEM

FOR THE YEAR ENDED JUNE 30, 2017

Schedule of Proportionate Share of the Net Pension Liability and Related Ratios

	June 30, 2016	June 30, 2015	June 30, 2014
District's proportion of the net pension liability	0.00665886%	0.00789679%	0.00860725%
District's proportionate share of the net pension liability	$ 159,239	$ 145,438	$ 122,129
District's covered-employee payroll	$ 437,362	$ 517,026	$ 566,101
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	36.41%	28.13%	21.57%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	80.39%	84.15%

Schedule of Required Contributions

	June 30, 2016	June 30, 2015	June 30, 2014
Contractually required contribution	$ 17,494	$ 20,681	$ 22,644
Contributions in relation to the contractually required contribution	$ (17,494)	$ (20,681)	$ (22,644)
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered-employee payroll	437,362	$ 517,026	$ 566,101
Contributions as a percentage of covered-employee payroll	4.00%	4.00%	4.00%

Note to Schedule:
Only three fiscal years are presented because 10-year data not yet available.

See independent auditor's report.

SUPPLEMENTARY AND OTHER INFORMATION

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen-ditures
U.S. Department of Education			
Special Ed Cluster			
E.S.E.A. Title VI, Grants to States	AR Department of Education	84.027	$ 3,352,250
Special Education, Preschool	AR Department of Education	84.173A	146,588
Total Special Ed Cluster			3,498,838
Adult Education, Basic Grants to States	AR Department of Career Education	84.002A	253,373
Federal Adult Ed	AR Department of Career Education	84.002A	19,658
Adult Education - EL Civics	AR Department of Career Education	84.002A	27,871
Title I, Grants to Local Educational Agencies	AR Department of Education	84.010	5,760,558
Title I, Migrant Education	AR Department of Education	84.011	196,666
Title III Part F	AR Department of Education	84.031C	27,485
Career and Technical Education - Basic Grants Carl Perkins	AR Department of Career Education	84.048	254,542
Indian Education, Grants to Local Education Agencies	Received directly	84.060A	134,610
Education For Homeless Children & Youth	AR Department of Education	84.196A	54,471
Twenty-First Century Community Learning Centers	AR Department of Education	84.287	100,838
English Language Acquisition Grants	AR Department of Education	84.365	368,612
Improving Teacher Quality State Grants	AR Department of Education	84.367	483,171
School Improvement Grants	AR Department of Education	84.377A	681,257
Preschool Development Grants	AR Department of Education	84.419	1,846,410
Total U.S. Department of Education			13,708,360
U.S. Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	AR Department of Education	10.553	1,427,356
National School Lunch Program - Cash Assistance	AR Department of Education	10.555	4,645,362
National School Lunch Program - Non-Cash Assistance	AR Department of Human Services	10.555	544,008
Total Child Nutrition Cluster			6,616,726
Child and Adult Care Food Program - Cash Assistance	AR Department of Human Services	10.558	58,353
Total U.S. Department of Agriculture			6,675,079

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

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 Health and Human Services				
Child Care and Development Fund Cluster				
Child Care and Development Block Grant	AR Department of Human Services	93.575		431,474
Child Care Mandatory and Matching Funds	AR Department of Human Services	93.596		110,000
Total U.S. Department of Health and Human Services				541,474
U.S. Department of Army				
ROTC	Received directly	12.001		92,111
Total U.S. Department of Army				92,111
Total Federal Awards			$	21,017,024

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Fort Smith Public Schools under programs of the federal government for the fiscal year ended June 30, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Fort Smith Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note B - Summary of Significant Accounting Policies

1. This schedule of expenditures of federal awards includes the federal program activity of Fort Smith Public Schools and is presented on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

2. Fort Smith Public Schools does not charge indirect cost rates and charges 100% of their costs directly.

Note C - Subrecipient Awards

Of the federal expenditures presented in this schedule, Fort Smith School District #100 provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
No awards were provided to subrecipients			

Note D - Supplemental Disclosure of Governmental Assistance Information

Title XIX - Medicaid	
Medical Assistance Program (MEDICAID CATASTROPHIC)	$ 107,940
Total Medicaid	$ 107,940

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2017

Grantor Agency/Program Title	State Revenues	State Expen-ditures
Arkansas Department of Education on behalf of the Arkansas Early Childhood Commission		
Arkansas Better Chance	$ 1,474,040	$ 1,474,040
Total Expenditures of State Awards	$ 1,474,040	$ 1,474,040

Note A - Basis of Presentation

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

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF MEAL AND MILK SALES

FOR THE YEAR ENDED JUNE 30, 2017

	Student Breakfast	Student Lunch	Adult Breakfast	Adult Lunch	Snack Bar Ala Carte Milk and Juice	Total
Ballman	$ 3,917	$ 18,496	$ 209	$ 2,150	$ 461	$ 25,233
Barling	8,290	23,755	63	1,540	314	33,962
Beard	6,726	18,649	70	1,060	271	26,776
Bonneville	6,551	16,501	11	395	269	23,727
Carnall	4,065	8,958	137	1,415	252	14,827
Cavanaugh	8,784	16,207	9	451	280	25,732
Cook	12,056	38,320	248	918	461	52,002
Euper Lane	7,975	21,535	20	436	346	30,312
Fairview	8,199	24,044	74	2,560	236	35,114
Howard	1,286	3,487	36	650	88	5,547
Morrison	2,240	4,770	194	3,003	149	10,356
Orr	7,732	21,779	54	1,115	316	30,997
Pike	2,413	6,939	455	839	271	10,916
Spradling	1,819	4,867	443	2,473	8	9,611
Sunnymede	3,365	12,938	407	4,822	140	21,671
Sutton	2,925	10,037	0	347	16	13,326
Tilles	2,260	4,273	178	1,906	120	8,737
Trusty	1,227	3,553	16	2,388	195	7,378
Woods	6,857	43,995	0	2,194	405	53,451
Belle Point	1,388	1,982	246	1,580	1	5,197
Chaffin	4,463	29,025	287	788	44,737	79,299
Darby	1,079	12,267	434	3,610	11,551	28,941
Kimmons	2,697	13,419	426	1,906	24,007	42,455
Ramsey	6,305	31,571	473	2,960	68,095	109,403
Northside	3,924	16,777	464	705	48,901	70,771
Southside	9,601	26,120	535	5,670	75,528	117,454
Totals	$ 128,145	$ 434,264	$ 5,487	$ 47,881	$ 277,418	$ 893,195

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF SCHOOL BREAKFASTS SERVED

FOR THE YEAR ENDED JUNE 30, 2017

	Student Free	Student Reduced	Student Paid	Adult Paid	Total
Ballman	15,942	1,115	2,866	93	20,016
Barling	19,116	2,530	6,025	28	27,699
Beard	15,512	1,359	5,055	31	21,957
Bonneville	15,850	2,050	4,749	5	22,654
Carnall	23,765	3,225	2,478	51	29,519
Cavanaugh	16,822	2,994	6,309	4	26,129
Cook	19,773	4,506	8,563	110	32,952
Euper Lane	18,646	3,466	5,548	9	27,669
Fairview	38,921	7,194	4,833	33	50,981
Howard	25,758	1,808	595	16	28,177
Morrison	31,407	1,153	1,515	72	34,147
Orr	20,477	3,677	5,303	24	29,481
Pike	44,495	2,669	1,290	178	48,632
Spradling	39,937	2,075	957	123	43,092
Sunnymede	51,715	3,965	1,740	83	57,503
Sutton	35,604	3,089	1,599	0	40,292
Tilles	34,683	1,588	1,427	40	37,738
Trusty	29,074	452	873	7	30,406
Woods	8,910	1,491	5,128	0	15,529
Belle Point	4,716	218	1,058	24	6,016
Chaffin	9,559	1,618	3,182	2	14,361
Darby	19,640	1,738	446	9	21,833
Kimmons	34,207	3,157	1,400	16	38,780
Ramsey	15,977	3,213	4,273	10	23,473
Northside	28,767	2,694	2,493	6	33,960
Southside	11,993	2,715	7,029	27	21,764
Totals	631,266	65,759	86,734	1,001	784,760

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF SCHOOL LUNCHES SERVED

FOR THE YEAR ENDED JUNE 30, 2017

	Student Free	Student Reduced	Student Paid	Adult Paid	Total
Ballman	36,621	2,927	8,179	662	48,389
Barling	38,984	4,947	9,751	445	54,127
Beard	25,916	2,929	7,775	285	36,905
Bonneville	29,488	3,572	6,822	111	39,993
Carnall	38,327	5,473	3,152	402	47,354
Cavanaugh	24,135	4,476	7,020	129	35,760
Cook	31,079	7,759	15,834	257	54,929
Euper Lane	27,362	5,058	8,739	131	41,290
Fairview	61,797	9,413	8,739	776	80,725
Howard	54,920	3,420	1,175	207	59,722
Morrison	55,821	2,549	1,940	874	61,184
Orr	33,088	5,749	8,910	329	48,076
Pike	76,844	5,364	2,234	265	84,707
Spradling	75,153	3,899	1,698	721	81,471
Sunnymede	90,977	6,489	4,655	1,454	103,575
Sutton	74,909	7,506	3,132	99	85,646
Tilles	65,470	2,287	1,935	475	70,167
Trusty	52,046	1,226	1,535	643	55,450
Woods	21,216	3,993	18,558	349	44,116
Belle Point	7,224	236	888	358	8,706
Chaffin	25,087	5,157	10,087	131	40,462
Darby	76,335	5,353	4,302	891	86,881
Kimmons	85,640	7,353	4,136	421	97,550
Ramsey	41,099	7,878	11,152	469	60,598
Northside	107,200	9,447	4,985	105	121,737
Southside	31,871	5,333	9,840	854	47,898
Totals	1,288,609	129,793	167,173	11,843	1,597,418
Total Breakfasts and Lunches	1,919,875	195,552	253,907	12,844	2,382,178

See independent auditor's report.

ADDITIONAL REQUIRED REPORTS

PRZYBYSZ
& ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, major funds, and aggregate remaining fund information of the **Fort Smith School District #100** as of and for the year ended **June 30, 2017**, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 1, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
December 1, 2017

PRZYBYSZ & ASSOCIATES
CERTIFIED PUBLIC ACCOUNTANTS

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
Fort Smith School District #100
Fort Smith, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the **Fort Smith School District #100's** compliance with the types of compliance requirements described in the *OMB 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.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

Management of the Fort Smith School District #100 is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
December 1, 2017

Independent Auditor's Report On
Compliance With Arkansas State Requirements

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

We have examined management's assertions, included in its representation letter dated December 1, 2017, that the **Fort Smith School District #100** substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations listed on Arkansas Department of Education form OCI 95-96 during the year ended **June 30, 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 **Fort Smith School District #100** 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
December 1, 2017

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FORT SMITH SCHOOL DISTRICT #100

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: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ____ yes __x__ no

Significant deficiency(ies) identified? ____ yes __x__ none reported

Noncompliance material to financial statements noted? ____ yes __x__ no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? ____ yes __x__ no

Significant deficiency(ies) identified? ____ yes __x__ 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 2 CFR section 200.516(a)? ____ yes __x__ no

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027, 84.173A	Special Education Cluster
84.367	Supporting Effective Instruction State Grants
84.377	School Improvement Grants

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

Auditee qualified as a low-risk auditee? __x__ yes ____ no

Section II - Financial Statement Findings - Current Year

No findings.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

FEDERAL AWARD PROGRAMS - SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2017

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

See independent auditor's report.