

**Melbourne School District No. 20**

Izard County, Arkansas

**Regulatory Basis Financial Statements  
and Other Reports**

June 30, 2020





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IZARD COUNTY, ARKANSAS  
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# Arkansas

Sen. Ronald Caldwell  
Senate Chair  
Sen. Gary Stubblefield  
Senate Vice Chair



Rep. Richard Womack  
House Chair  
Rep. Nelda Speaks  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Melbourne School District No. 20 and School Board Members  
Legislative Joint Auditing Committee

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Melbourne School District No. 20 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

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

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

#### ***Auditor's Responsibility***

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2020, or the changes in financial position for the year then ended.

### **Unmodified Opinions on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Capital Assets, and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
March 2, 2021  
EDSD17920

# Arkansas

Sen. Ronald Caldwell  
Senate Chair  
Sen. Gary Stubblefield  
Senate Vice Chair



Rep. Richard Womack  
House Chair  
Rep. Nelda Speaks  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

Melbourne School District No. 20 and School Board Members  
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Melbourne School District No. 20 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 2, 2021. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

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

**Purpose of this Report**

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

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
March 2, 2021



# Arkansas

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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

Melbourne School District No. 20 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Melbourne School District No. 20's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

#### ***Management's Responsibility***

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

#### ***Auditor's Responsibility***

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

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

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

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

#### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
March 2, 2021

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 1,488,946		\$ 2,648,309	\$ 82,905
Accounts receivable	154	\$ 80,266		
Due from other funds	35,004			
Deposit with paying agent			54,862	
<b>TOTAL ASSETS</b>	<u>\$ 1,524,104</u>	<u>\$ 80,266</u>	<u>\$ 2,703,171</u>	<u>\$ 82,905</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 18,143		\$ 848	
Due student groups				\$ 54,581
Due to other funds		\$ 35,004		
Total Liabilities	<u>18,143</u>	<u>35,004</u>	<u>848</u>	<u>54,581</u>
Fund Balances:				
Nonspendable			54,862	
Restricted	319,330	45,262		28,324
Assigned	42,073		2,647,461	
Unassigned	1,144,558			
Total Fund Balances	<u>1,505,961</u>	<u>45,262</u>	<u>2,702,323</u>	<u>28,324</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,524,104</u>	<u>\$ 80,266</u>	<u>\$ 2,703,171</u>	<u>\$ 82,905</u>

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



MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 3,212,923		
State assistance	4,483,766	\$ 2,921	
Federal assistance	93,279	916,125	
Activity revenues	149,783		
Meal sales		118,952	
Investment income	26,219		
Other revenues	172,160	535	
<b>TOTAL REVENUES</b>	<b>8,138,130</b>	<b>1,038,533</b>	
<b>EXPENDITURES</b>			
Regular programs	3,525,116		
Special education	315,666	229,166	
Career education programs	330,833		
Compensatory education programs	114,364	166,985	
Other instructional programs	159,040		
Student support services	302,637	54,687	
Instructional staff support services	208,862	14,849	
General administration support services	155,662	39,732	
School administration support services	351,660		
Central services support services	204,955		
Operation and maintenance of plant services	1,075,120		\$ 83,931
Student transportation services	402,327	2,696	
Other support services	20,060		
Food services operations	22,978	615,661	
Facilities acquisition and construction services			628,065
Activity expenditures	155,607		
Debt Service:			
Principal retirement			420,000
Interest and fiscal charges			175,572
Net debt issuance costs			60,926
<b>TOTAL EXPENDITURES</b>	<b>7,344,887</b>	<b>1,123,776</b>	<b>1,368,494</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>793,243</b>	<b>(85,243)</b>	<b>(1,368,494)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		87,254	1,068,815
Transfers out	(1,156,069)		
Proceeds from refunding bond issue			4,060,000
Payment to refunding bond escrow agent			(3,995,470)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,156,069)</b>	<b>87,254</b>	<b>1,133,345</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(362,826)</b>	<b>2,011</b>	<b>(235,149)</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,868,787</b>	<b>43,251</b>	<b>2,937,472</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,505,961</b>	<b>\$ 45,262</b>	<b>\$ 2,702,323</b>

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

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	General			Special Revenue			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
<b>REVENUES</b>							
Property taxes (including property tax relief trust distribution)	\$ 3,051,783	\$ 3,212,923	\$ 161,140	\$ 3,200	\$ 2,921	\$ (279)	
State assistance	4,363,682	4,483,766	120,084	821,237	916,125	94,888	
Federal assistance		93,279	93,279				
Activity revenues		149,783	149,783				
Meal sales				159,000	118,952	(40,048)	
Investment income	10,000	26,219	16,219				
Other revenues	215,000	172,160	(42,840)		535	535	
<b>TOTAL REVENUES</b>	<b>7,640,465</b>	<b>8,138,130</b>	<b>497,665</b>	<b>983,437</b>	<b>1,038,533</b>	<b>55,096</b>	
<b>EXPENDITURES</b>							
Regular programs	3,589,943	3,525,116	64,827				
Special education	387,358	315,666	71,692	182,044	229,166	(47,122)	
Career education programs	341,280	330,833	10,447				
Compensatory education programs	115,341	114,364	977	185,559	166,985	18,574	
Other instructional programs	174,143	159,040	15,103				
Student support services	321,923	302,637	19,286	58,318	54,687	3,631	
Instructional staff support services	234,545	208,862	25,683	34,808	14,849	19,959	
General administration support services	159,496	155,662	3,834	39,288	39,732	(444)	
School administration support services	350,672	351,660	(988)				
Central services support services	205,601	204,955	646				
Operation and maintenance of plant services	855,624	1,075,120	(219,496)				
Student transportation services	419,107	402,327	16,780		2,696	(2,696)	
Other support services	10,000	20,060	(10,060)	2,000		2,000	
Food services operations	13,000	22,978	(9,978)	507,399	615,661	(108,262)	
Community services operations				500		500	
Activity expenditures		155,607	(155,607)				
<b>TOTAL EXPENDITURES</b>	<b>7,178,033</b>	<b>7,344,887</b>	<b>(166,854)</b>	<b>1,009,916</b>	<b>1,123,776</b>	<b>(113,860)</b>	

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 462,432	\$ 793,243	\$ 330,811	\$ (26,479)	\$ (85,243)	\$ (58,764)
OTHER FINANCING SOURCES (USES)						
Transfers in	9,331,312		(9,331,312)	40,747	87,254	46,507
Transfers out	(9,923,065)	(1,156,069)	8,766,996	(40,747)		40,747
TOTAL OTHER FINANCING SOURCES (USES)	(591,753)	(1,156,069)	(564,316)	0	87,254	87,254
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(129,321)	(362,826)	(233,505)	(26,479)	2,011	28,490
FUND BALANCES - JULY 1	1,764,324	1,868,787	104,463	26,482	43,251	16,769
FUND BALANCES - JUNE 30	\$ 1,635,003	\$ 1,505,961	\$ (129,042)	\$ 3	\$ 45,262	\$ 45,259

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





MELBOURNE SCHOOL DISTRICT NO. 20  
IZARD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Melbourne School District (District). There are no component units.

**B. Description of Funds**

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

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

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

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund types include the following:

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

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

**C. Measurement Focus and Basis of Accounting**

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

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20-50
Buildings	15-50
Equipment	5-20

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2019 calendar year taxes collected by June 30, 2020 and 4 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2020 equaled or exceeded the 4 percent calculation.

MELBOURNE SCHOOL DISTRICT NO. 20  
IZARD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

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

F. Property Taxes (Continued)

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

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

1. Nonspendable fund balance – represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. Assigned fund balance – represents amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

I. Budget and Budgetary Accounting

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

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

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

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

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

J. Stabilization Arrangements

The District's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

K. Minimum Fund Balance Policies

The District's Board of Education has not formally adopted a minimum fund balance policy

L. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The District's Board of Education has not adopted a formal policy addressing this authorization.

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

M. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	3,970,160	4,350,224
Total Deposits	\$ 4,220,160	\$ 4,600,224

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2020 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 19	
Federal assistance		\$ 67,366
Meal sales		12,843
Other	135	57
Totals	\$ 154	\$ 80,266

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2020:

A. Construction Contracts

Project Name	Completion Date	Contract Balance
Administration Building	January 2021	\$ 445,021

B. Operating Lease (noncapital lease with initial noncancellable lease terms in excess of one year)

General description of lease and leasing arrangements:

On July 30, 2018, the District executed an operating lease and maintenance agreement for 15 copiers. This agreement stipulated monthly payments of \$1,689 for a period of 36 months.

1. Future minimum rental payments (aggregate) at June 30, 2020: \$21,957

2. If applicable, the basis on which contingent rental payments is determined:

The District is assessed \$0.007 per black copy and \$0.049 per color copy per the lease agreement.

3. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2021	\$ 20,268
2022	1,689
Total	\$ 21,957

Rental payments for the operating lease described above were approximately \$22,092 for the year ended June 30, 2020.

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

4: **COMMITMENTS (Continued)**

C. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2020	Maturities To June 30, 2020
<b>Bonds</b>					
9/1/12	2/1/35	1 - 3%	\$ 1,245,000	\$ 970,000	\$ 275,000
2/1/16	2/1/35	1 - 2.75%	1,880,000	1,620,000	260,000
3/19/20	2/1/33	1.25 - 2%	4,060,000	4,060,000	
<b>Total Long-Term Debt</b>			<b>\$ 7,185,000</b>	<b>\$ 6,650,000</b>	<b>\$ 535,000</b>

Changes in Long-term Debt

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
Bonds payable	\$ 6,985,000	\$ 4,060,000	\$ 4,395,000 *	\$ 6,650,000

\* Includes \$3,975,000 early retirement of debt – See Note 6.

Future Principal and Interest Payments

Year Ended June 30,	Bonds		
	Principal	Interest	Total
2021	\$ 270,000	\$ 118,572	\$ 388,572
2022	470,000	123,615	593,615
2023	470,000	117,323	587,323
2024	480,000	110,491	590,491
2025	495,000	102,679	597,679
2026-2030	2,570,000	382,894	2,952,894
2031-2035	1,895,000	117,580	2,012,580
<b>Totals</b>	<b>\$ 6,650,000</b>	<b>\$ 1,073,154</b>	<b>\$ 7,723,154</b>

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Division of Elementary and Secondary Education (DESE). Depending on the date of the bond issue, DESE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

**5: ACCOUNTS PAYABLE**

Accounts payable at June 30, 2020 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Other Aggregate
Vendor payables	<u>\$ 18,143</u>	<u>\$ 848</u>

**6: DEBT REFUNDING**

On March 19, 2020, the District issued refunding bonds of \$4,060,000 with interest rates of 1.25 to 2 percent to refund \$3,975,000 of outstanding bonds dated November 1, 2014. The interest rates of the bonds refunded were 2 to 3.4 percent. Net bond proceeds of \$3,995,470 were remitted to an escrow agent to provide all future debt service payments for the bond refunded. These bonds were called on April 20, 2020. The remaining proceeds of \$3,604 (after payment of \$60,926 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$231,189 to the District over the life of the bonds.

**7: INTERFUND TRANSFERS**

The District transferred \$1,068,815 from the general fund to the other aggregate funds for debt-related payments of \$559,825 and for future capital expenditures of \$508,990. The District also transferred \$87,254 from the general fund to the special revenue fund to supplement its food service operations.

**8: RELATED-PARTY TRANSACTIONS**

The District maintained a bank balance of \$4,600,224 with First National Banking Company at June 30, 2020. A member of the District's Board of Education is the Assistant Vice President of the Melbourne branch of this bank. In accordance with Ark. Code Ann. § 6-24-105, a resolution to conduct business with this bank was adopted by the District's Board of Education and approved by the Arkansas Division of Elementary and Secondary Education.

**9: RETIREMENT PLAN**

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at [www.artrs.gov](http://www.artrs.gov).

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.25% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2020 were \$711,190, equal to the required contributions.

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

**9: RETIREMENT PLAN (Continued)**

Arkansas Teacher Retirement System (Continued)

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$6,609,409.

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

DEDUCTIONS	
Scholarships	\$ 1,000
CHANGE IN FUND BALANCE	(1,000)
FUND BALANCE - JULY 1	29,324
FUND BALANCE - JUNE 30	\$ 28,324

**11: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$7,185,000 issued from September 1, 2012 through March 19, 2020. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$7,723,154, payable through February 1, 2035. Principal and interest paid for the current year and total property taxes pledged for debt service were \$594,010 and \$1,101,237, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 53.94 percent.

**12: RISK MANAGEMENT**

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

The District carries commercial insurance for school board liability, student accident, and business trip accidental death and dismemberment coverage.

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

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



MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2020

**12: RISK MANAGEMENT (Continued)**

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

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

**13: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$171,379 for the year ended June 30, 2020.

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Nonspendable:			
Deposit with paying agent			\$ 54,862
Restricted for:			
Enhanced student achievement funding	\$ 17,364		
English-language learners	3,697		
Child nutrition programs		\$ 16,187	
Medical services		23,081	
Special education programs	51,932		
Isolated transportation funding	178,282		
Other purposes	68,055	5,994	
Total Restricted	319,330	45,262	
Assigned to:			
Capital projects			2,647,461
Student activities	42,073		
Total Assigned	42,073		2,647,461
Unassigned	1,144,558		
Totals	\$ 1,505,961	\$ 45,262	\$ 2,702,323

MELBOURNE SCHOOL DISTRICT NO. 20  
IZARD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**15: RESPONSE TO COVID-19**

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). A mandatory, two week, statewide closure for all schools was announced on March 15, 2020 by the Governor. On April 6, 2020, the Governor announced that on-site instruction for all Arkansas public schools would be discontinued until the 2020-2021 school year and school districts would continue alternative methods of instruction (AMI) through the remainder of the 2019-2020 school year.

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Unaudited)

Schedule 1

	Balance June 30, 2020
Nondepreciable capital assets:	
Land	\$ 114,199
Construction in progress	312,487
Total nondepreciable capital assets	<u>426,686</u>
Depreciable capital assets:	
Buildings	27,703,196
Improvements/infrastructure	1,277,470
Equipment	3,263,001
Total depreciable capital assets	<u>32,243,667</u>
Less accumulated depreciation for:	
Buildings	6,044,039
Improvements/infrastructure	458,448
Equipment	2,721,128
Total accumulated depreciation	<u>9,223,615</u>
Total depreciable capital assets, net	<u>23,020,052</u>
Capital assets, net	<u>\$ 23,446,738</u>

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	3302		\$ 112,241
Arkansas Department of Education - COVID-19 - School Breakfast Program	10.553	3302		16,456
Total for School Breakfast Program				<u>128,697</u>
Arkansas Department of Education - National School Lunch Program	10.555	3302		224,181
Arkansas Department of Human Services - National School Lunch Program (Note 3)	10.555	3302000		23,017
Arkansas Department of Education - COVID-19 - National School Lunch Program	10.555	3302		26,180
Total for National School Lunch Program				<u>273,378</u>
Total U. S. Department of Agriculture				<u>402,075</u>
TOTAL CHILD NUTRITION CLUSTER				<u>402,075</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	3302		192,240
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>192,240</u>
<b>OTHER PROGRAMS</b>				
<u>National Endowment for the Arts</u>				
Department of Arkansas Heritage-Arkansas Arts Council - Promotion of the Arts - Partnership Agreements	45.025	3302		360
Total National Endowment for the Arts				<u>360</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	3302		165,517
Arkansas Department of Education - Rural Education	84.358	3302		14,849
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	3302		26,993
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	3302		14,247
Total U. S. Department of Education				<u>221,606</u>
TOTAL OTHER PROGRAMS				<u>221,966</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 816,281</u>

The accompanying notes are an integral part of this schedule.

MELBOURNE SCHOOL DISTRICT NO. 20  
IZARD COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Melbourne School District No. 20 (District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 4: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5: During the year ended June 30, 2020, the District received Medicaid funding of \$31,615 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2020

Schedule 3

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

FINANCIAL STATEMENTS

Types of auditor's reports issued on whether the financial statements audited were prepared in accordance with:

Generally accepted accounting principles (GAAP) - adverse  
 Regulatory basis - unmodified

Internal control over financial reporting:

● Material weakness(es) identified?  yes  no

● Significant deficiency(ies) identified?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

FEDERAL AWARDS

Internal control over major federal programs:

● Material weakness(es) identified?  yes  no

● Significant deficiency(ies) identified?  yes  none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  yes  no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?  yes  no

MELBOURNE SCHOOL DISTRICT NO. 20  
IZARD COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

**SIGNIFICANT DEFICIENCY**

U. S. DEPARTMENT OF AGRICULTURE  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
CHILD NUTRITION CLUSTER - CFDA NUMBERS 10.553 AND 10.555  
PASS THROUGH NUMBER 3302  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2020

2020-001. Program income

Criteria or specific requirement: Under subsection 12(q) of the Richard B. Russell National School Lunch Act and 7 CFR 210.14(f), a School Food Authority is required to ensure that all revenue from the sale of non-program foods accrues to the non-profit school food service account; and revenue available to support the production of reimbursable school meals does not subsidize the sale of non-program foods.

Condition: Meals provided to the preschool and Head Start programs by the District's child nutrition program were not reimbursed at rates agreed upon in the District's contract and the number of meals reimbursed did not agree with supporting documentation. It was determined that the child nutrition program was not recouping the cost of providing these meals.

Cause: District did not provide proper management oversight to ensure compliance with applicable regulations.

Effect or potential effect: Cost of providing non-program foods to the preschool and Head Start programs were not fully reimbursed.

Context: Review of contract stating meal prices to be charged for meals provided to the preschool and Head Start programs and amounts reimbursed to the child nutrition program.

Identification as a repeat finding: This was a repeat of Finding 2019-002 from the previous audit.

Recommendation: The District should contact the Arkansas Division of Elementary and Secondary Education, Child Nutrition Unit for guidance and reimburse non-program meals at rates specified in the contract with the preschool and Head Start programs.

Views of responsible officials: The District will contact the Arkansas Division of Elementary and Secondary Education, Child Nutrition Unit for guidance and reimburse non-program meals at rates specified in the contract with the preschool and Head Start programs.

# Melbourne School District

Post Office Box 250

Melbourne, Arkansas 72556

Administration Office Phone (870) 368-7070 • Melbourne Elementary Office Phone (870) 368-4365

Melbourne High School Phone (870) 368-4345

## ADMINISTRATORS

Dennis Sublett, Superintendent  
Lori Loggains, Melbourne Elementary Principal  
Steven Chaney, Melbourne Elementary Asst. Principal  
Jim Carroll, Melbourne High School Principal  
Kelley Don Webb, Dean of Students

## BOARD OF DIRECTORS

Phil Ferguson, President  
Rusty Campbell, Vice President  
Jason Lawrence, Secretary  
Jim Cooper  
Phillip Edwards  
Jason Miller  
Matt Rush

Schedule 4

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

### FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE  
PASSED THROUGH THE ARKANSAS DEPARTMENT OF EDUCATION  
CHILD NUTRITION CLUSTER – CFDA NUMBERS 10.553 AND 10.555

#### 2019 – Finding 2019-001: Eligibility

Condition: An administrative review for the District was completed by the Arkansas Department of Education, Child Nutrition Unit (ADE, CNU) in March 2019. The review noted the following exceptions when examining a sample of 264 applications: four applications exceeded the 10 day processing timeline, three applications were missing required information, one application was classified incorrectly as free status but should have been classified as reduced status, one application was classified incorrectly as reduced status but should have been classified as paid status, and no source documentation was available for transfer students from another School Food Authority to prove correct eligibility.

Additionally, during our testing of 19 free and reduced price meal applications, we noted two applications where the District incorrectly annualized the household reported income; however, the errors did not affect the determination of eligibility status.

Current Status: Corrective action was taken.

#### 2019 – Finding 2019-002: Program Income

Condition: An Administrative Review for the District was completed by the Arkansas Department of Education, Child Nutrition Unit (ADE, CNU) in March 2019. The review noted that a contract was not developed stating the responsibilities of each party or the meal prices to be charged for meals provided to the preschool and Head Start programs by the District's child nutrition program. Additionally, it was determined that the child nutrition program was not recouping the cost of providing these meals and the set meal prices did not meet the USDA non-program food revenue requirements.

Current Status: The District established a contract; however, meals were not reimbursed at contract rates and the cost of preschool and Head Start meals again was not recouped. See Finding 2020-001 at Schedule 3.

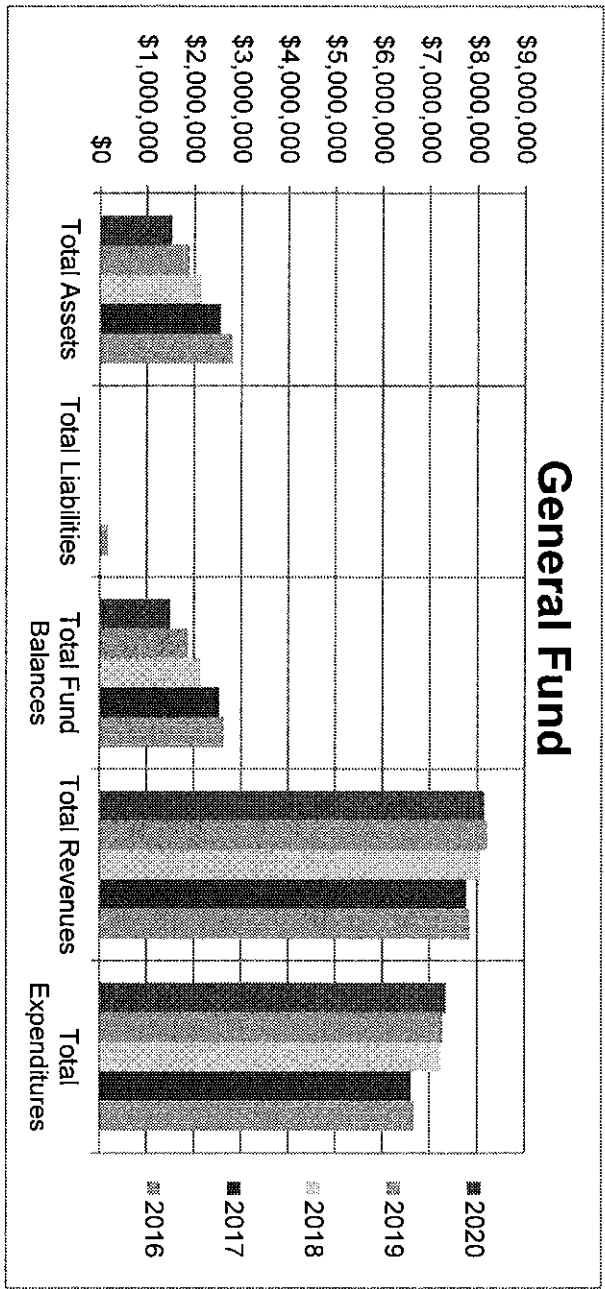


MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS

Schedule 5

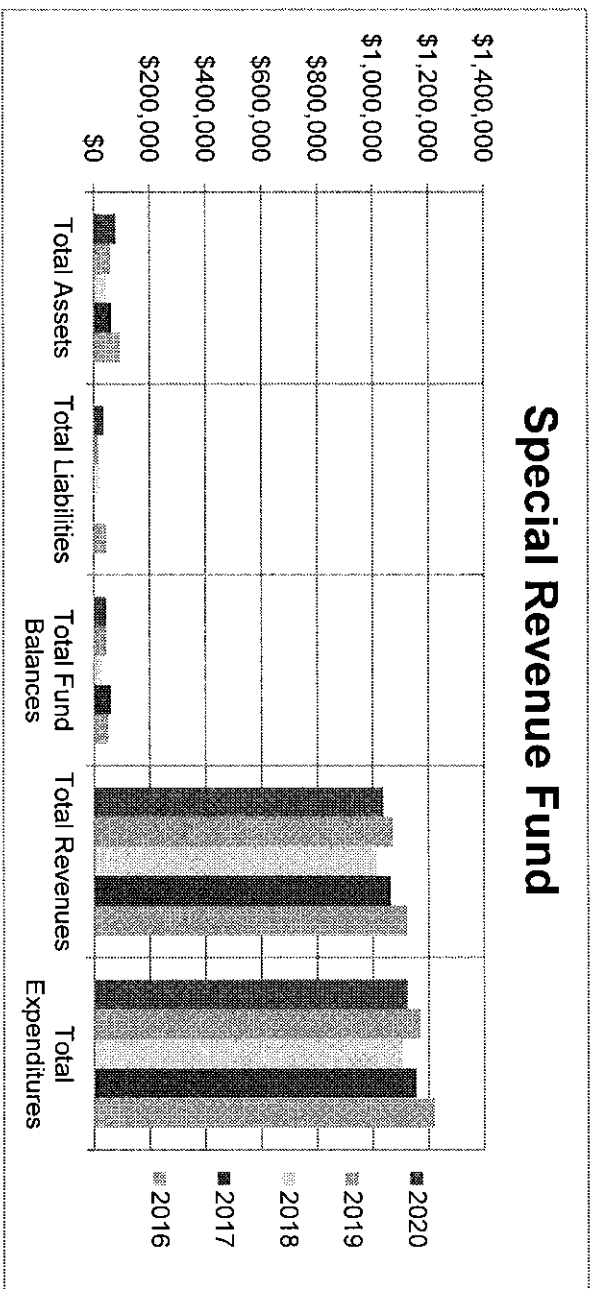
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Unaudited)

General Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 1,524,104	\$ 1,886,331	\$ 2,153,095	\$ 2,554,701	\$ 2,799,852
Total Liabilities	18,143	17,544	12,620	12,986	171,151
Total Fund Balances	1,505,961	1,868,787	2,140,475	2,541,715	2,628,701
Total Revenues	8,138,130	8,204,161	8,066,374	7,775,422	7,836,856
Total Expenditures	7,344,887	7,273,500	7,235,069	6,613,371	6,672,305
Total Other Financing Sources (Uses)	(1,156,069)	(1,202,349)	(1,232,545)	(1,249,037)	(1,096,121)



MELBOURNE SCHOOL DISTRICT NO. 20  
 IZARD COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2020  
 (Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 80,266	\$ 60,257	\$ 47,635	\$ 64,171	\$ 95,723
Total Liabilities	35,004	17,006	21,765	1,842	44,146
Total Fund Balances	45,262	43,251	25,870	62,329	51,577
Total Revenues	1,038,533	1,072,087	1,013,910	1,064,884	1,123,705
Total Expenditures	1,123,776	1,169,099	1,104,836	1,155,232	1,222,588
Total Other Financing Sources (Uses)	87,254	114,393	54,467	101,100	100,380



MELBOURNE SCHOOL DISTRICT NO. 20

IZARD COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

Schedule 5

	Year Ended June 30,				
	2020	2019	2018	2017	2016
<b>Other Aggregate Funds</b>					
Total Assets	\$ 2,703,171	\$ 2,947,988	\$ 2,461,854	\$ 1,925,757	\$ 2,290,359
Total Liabilities	848	10,516	1,975	2,240	302,976
Total Fund Balances	2,702,323	2,937,472	2,459,879	1,923,517	1,987,383
Total Revenues				801,468	4,111,659
Total Expenditures	1,368,494	610,363	639,561	2,013,271	9,287,320
Total Other Financing Sources (Uses)	1,133,345	1,087,956	1,175,923	1,147,937	999,714

