

Booneville School District No. 65

Logan County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2013

LEGISLATIVE JOINT AUDITING COMMITTEE



BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
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Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Booneville School District No. 65 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 Booneville School District No. 65 (the "District"), as of and for the year ended June 30, 2013, 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 Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the reporting 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 *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 disclosure 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, 2013, or the changes in financial position for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2013, 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 February 18, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas
February 18, 2014
EDSD22313

Sen. Bryan B. King
Senate Chair
Rep. Kim Hammer
House Chair
Sen. Linda Chesterfield
Senate Vice Chair
Rep. John W. Walker
House Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF 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

Booneville School District No. 65 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 Booneville School District No. 65 (the "District"), as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated February 18, 2014. 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, 2013, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

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 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*.

We noted certain matters that we reported to management of the District in a separate letter dated February 18, 2014.

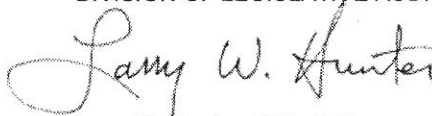
District's Response to Findings

The District's response to the findings identified in our audit, excluding the management letter findings, 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 the regulatory basis financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
February 18, 2014

Sen. Bryan B. King
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Roger A. Norman, JD, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

INDEPENDENT AUDITOR'S REPORT

Booneville School District No. 65 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Booneville School District No. 65 (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

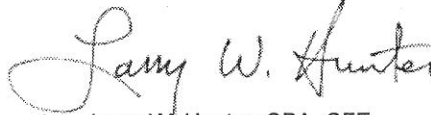
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Larry W. Hunter". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
February 18, 2014

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

Booneville School District No. 65 and School Board Members
Legislative Joint Auditing Committee

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations and to improve internal control. These matters were discussed previously with District officials during the course of our audit fieldwork and at the exit conference.

1. The District donated \$2,030 to the Bearcat Football Foundation from May 2013 through September 2013. This arrangement appears to conflict with Op. Att'y Gen. no. 91-411 and Ark. Const. art. 14, § 2, which states in part, "no money or property belonging to the public school fund shall ever be used for any other than the respective purposes to which it belongs". Op. Att'y Gen. no. 91-411 opines that "these provisions operate as a general bar to a school district's donation or contribution of funds to corporations, (whether nonprofit or for profit), private associations and institutions, and individuals". The Bearcat Football Foundation refunded \$2,030 to the District on January 24, 2014.
2. The Disaster Recovery Plan in place was inadequate (both technical and end-user) for restoring from short-term or long-term interruptions of computer processing. This situation could cause the entity to be without computer processing for an extended period of time in the event of a disaster or major interruption and could also place a financial and personnel burden on the resources of the entity.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
February 18, 2014

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2013

Exhibit A

	Governmental Funds			
	Major			Fiduciary
	General	Special Revenue	Other Aggregate	Fund Types
ASSETS				
Cash	\$ 1,756,958	\$ 51,620	\$ 116,180	\$ 55,263
Investments	419,577		348,178	86,863
Accounts receivable	10,253	175,832	198	131
Due from other funds	119,180			
TOTAL ASSETS	\$ 2,305,968	\$ 227,452	\$ 464,556	\$ 142,257
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 50,041	\$ 6,173		\$ 4,204
Due student groups				47,044
Due to other funds			\$ 119,180	
Total Liabilities	50,041	6,173	119,180	51,248
Fund Balances:				
Restricted	142,690	221,932	1,242	91,009
Assigned	61,972		344,134	
Unassigned	2,051,265	(653)		
Total Fund Balances	2,255,927	221,279	345,376	91,009
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,305,968	\$ 227,452	\$ 464,556	\$ 142,257

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

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,807,040		\$ 477,635
State assistance	7,086,336	\$ 5,095	130,723
Federal assistance	58,305	1,769,376	23,889
Activity revenues	127,252		
Meal sales		125,295	
Investment income	12,399		4,070
Other revenues	94,569		
TOTAL REVENUES	10,185,901	1,899,766	636,317
EXPENDITURES			
Regular programs	4,450,926	100,106	
Special education	663,372	201,207	
Career education programs	385,986		
Compensatory education programs	59,287	368,861	
Other instructional programs	293,711		
Student support services	397,973	64,764	
Instructional staff support services	510,902	232,189	
General administration support services	243,078	59,655	
School administration support services	761,637		
Central services support services	249,509	14,598	219,473
Operation and maintenance of plant services	1,130,835	3,740	9,925
Student transportation services	541,538		
Other support services	24,317		
Food services operations	28,524	798,384	
Community services operations		351	
Facilities acquisition and construction services	36,543		448,440
Activity expenditures	130,199		
Debt Service:			
Principal retirement	133,132		300,000
Interest and fiscal charges	25,390		521,035
TOTAL EXPENDITURES	10,066,859	1,843,855	1,498,873
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	119,042	55,911	(862,556)
OTHER FINANCING SOURCES (USES)			
Proceeds of installment contract			306,500
Issuance costs on installment contract			(6,500)
Refund to grantor		(152)	
TOTAL OTHER FINANCING SOURCES (USES)		(152)	300,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	119,042	55,759	(562,556)
FUND BALANCES - JULY 1	2,136,885	165,520	907,932
FUND BALANCES - JUNE 30	\$ 2,255,927	\$ 221,279	\$ 345,376

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

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN 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, 2013

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 3,037,906	\$ 2,807,040	\$ (230,866)			
State assistance	6,980,834	7,086,336	105,502	\$ 5,436	\$ 5,095	\$ (341)
Federal assistance	69,246	58,305	(10,941)	1,773,376	1,769,376	(4,000)
Activity revenues	385,176	127,252	(257,924)			
Meal sales				140,137	125,295	(14,842)
Investment income	30,656	12,399	(18,257)			
Other revenues	87,302	94,569	7,267			
TOTAL REVENUES	10,591,120	10,185,901	(405,219)	1,918,949	1,899,766	(19,183)
EXPENDITURES						
Regular programs	4,428,559	4,450,926	(22,367)		100,106	(3,061)
Special education	673,401	663,372	10,029	97,045	201,207	31,195
Career education programs	387,895	385,986	1,909			
Compensatory education programs	81,200	59,287	21,913	417,682	368,861	48,821
Other instructional programs	347,358	293,711	53,647			
Student support services	434,200	397,973	36,227	106,781	64,764	42,017
Instructional staff support services	512,491	510,902	1,589	271,007	232,189	38,818
General administration support services	236,962	243,078	(6,116)	63,939	59,655	4,284
School administration support services	740,138	761,637	(21,499)			
Central services support services	336,831	249,509	87,322	22,230	14,598	7,632
Operation and maintenance of plant services	1,222,646	1,130,835	91,811	20,000	3,740	16,260
Student transportation services	498,650	541,538	(42,888)			
Other support services	24,769	24,317	452			
Food services operations	36,725	28,524	8,201	762,451	798,384	(35,933)
Community services operations				3,000	351	2,649
Facilities acquisition and construction services	53,768	36,543	17,225			
Activity expenditures	336,712	130,199	206,513			
Debt Service:						
Principal retirement	113,143	133,132	(19,989)			
Interest and fiscal charges	21,128	25,390	(4,262)			
TOTAL EXPENDITURES	10,486,576	10,066,859	419,717	1,996,537	1,843,855	152,682

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN 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, 2013

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 104,544	\$ 119,042	\$ 14,498	\$ (77,588)	\$ 55,911	\$ 133,499
OTHER FINANCING SOURCES (USES)						
Transfers in	14,047,532		(14,047,532)			
Transfers out	(14,047,532)		14,047,532		(152)	(152)
Refund to grantor						
TOTAL OTHER FINANCING SOURCES (USES)	0		0		(152)	(152)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	104,544	119,042	14,498	(77,588)	55,759	133,347
FUND BALANCES - JULY 1	2,407,071	2,136,885	(270,186)	155,106	165,520	10,414
FUND BALANCES - JUNE 30	\$ 2,511,615	\$ 2,255,927	\$ (255,688)	\$ 77,518	\$ 221,279	\$ 143,761

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

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BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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 Booneville School District (District).

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.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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, 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 the 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 fair 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:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	20
Buildings	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 2012 calendar year taxes collected by June 30, 2013 and 32 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2013 equaled or exceeded the 32 percent calculation.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

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. 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.
2. 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.
3. 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.

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.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 an expenditure is 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 balance 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	2,571,605	2,705,802
Total Deposits	<u>\$ 2,821,605</u>	<u>\$ 2,955,802</u>

The above total deposits do not include cash of \$12,634 which was held in the County Treasury and cash on hand of \$400. The above total deposits include certificates of deposit of \$854,618 reported as investments and classified as nonparticipating contracts.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$186,414 at June 30, 2013 was comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types	Total
	Major		Other Aggregate		
	General	Special Revenue			
State assistance	\$ 4,000				\$ 4,000
Federal assistance		\$ 175,832			175,832
Investment income	329		\$ 198	\$ 131	658
Other	5,924				5,924
Totals	\$ 10,253	\$ 175,832	\$ 198	\$ 131	\$ 186,414

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2013:

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, 2013	Maturities To June 30, 2013
8/1/09	2/1/39	1 - 4.75%	\$ 12,295,000	\$ 11,360,000	\$ 935,000
10/1/11	2/1/33	.75 - 3.75%	1,415,000	1,360,000	55,000
4/3/06	4/3/16	4.65%	1,000,000	372,153	627,847
10/25/12	10/25/19	2.75%	306,500	286,510	19,990
Totals			<u>\$ 15,016,500</u>	<u>\$ 13,378,663</u>	<u>\$ 1,637,837</u>

Changes in Long-term Debt

	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
Bonds payable	\$ 13,020,000		\$ 300,000	\$ 12,720,000
Installment contracts	485,295	\$ 306,500	133,132	658,663
Totals	<u>\$ 13,505,295</u>	<u>\$ 306,500</u>	<u>\$ 433,132</u>	<u>\$ 13,378,663</u>

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

4: COMMITMENTS (Continued)

Long-term Debt Issued and Outstanding (Continued)

Total long-term debt principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2014	\$ 469,255	\$ 537,378	\$ 1,006,603
2015	485,905	524,548	1,010,453
2016	502,862	510,141	1,013,003
2017	384,328	496,016	880,344
2018	395,573	485,172	880,745
2019-2023	2,010,770	2,234,188	4,244,958
2024-2028	2,360,000	1,819,023	4,179,023
2029-2033	2,910,000	1,310,600	4,220,600
2034-2038	3,140,000	448,513	3,588,513
2039	720,000	34,200	754,200
Totals	<u>\$ 13,378,663</u>	<u>\$ 8,399,779</u>	<u>\$ 21,778,442</u>

5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance of \$60,418 at June 30, 2013 was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	Major	Special Revenue		
	General			
Vendor payables	\$ 50,041	\$ 6,021	\$ 4,204	\$ 60,266
Due to grantors		152		152
Totals	<u>\$ 50,041</u>	<u>\$ 6,173</u>	<u>\$ 4,204</u>	<u>\$ 60,418</u>

6: RETIREMENT PLANS

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 all Arkansas public school employees, except certain nonteachers hired before July 1, 1989. 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 or by calling 1-800-666-2877.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

6: RETIREMENT PLANS (Continued)

Arkansas Teacher Retirement System (Continued)

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% 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% of covered salaries, the maximum allowed by State law. The District's contributions to ATRS for the years ended June 30, 2013, 2012, and 2011 were \$990,400, \$994,630, and \$981,833, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteachers hired before July 1, 1989. APERS, 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% 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 for school districts is 4% of covered salaries. The District's contributions to APERS for the years ended June 30, 2013, 2012, and 2011 were \$4,478, \$4,214, and \$4,586, respectively, equal to the required contributions for each year.

7: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 5,915
Interest	<u>1,039</u>
TOTAL ADDITIONS	<u>6,954</u>
DEDUCTIONS	
Scholarships	<u>8,028</u>
CHANGE IN FUND BALANCE	(1,074)
FUND BALANCE - JULY 1	<u>92,083</u>
FUND BALANCE - JUNE 30	<u>\$ 91,009</u>

8: DEFICIT FUND BALANCES

The deficit unassigned fund balance of \$653 in the special revenue fund in the table at Note 13 pertains to the Title I program. The temporary deficit was caused by the recognition of minor accounts payable at year-end.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

9: COMPONENT UNIT

The financial statements do not include assets, fund balance, and changes in fund balance of the Booneville Public School Foundation, Inc. The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. A summary of the Foundation's financial condition (unaudited) as of June 30, 2013 follows:

	<u>June 30, 2013</u>
ASSETS	
Investments	<u>\$ 799,536</u>
FUND BALANCE	<u>\$ 799,536</u>
REVENUE	
Donations	\$ 5,626
Interest and dividends	<u>13,041</u>
TOTAL REVENUE	18,667
EXPENDITURES	<u>552</u>
NET INCREASE (DECREASE) IN FUND BALANCE	<u>\$ 18,115</u>

10: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$13,710,000 issued from August 1, 2009 to October 1, 2011. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$21,060,364, payable through February 1, 2039. Principal and interest paid for the current year and total property taxes pledged for debt service were \$819,205 and \$1,241,967, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 65.96 percent.

11: RISK MANAGEMENT

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

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

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.

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 \$250,000 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.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

12: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$147,373 for the year ended June 30, 2013.

13: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds			Total
	Major		Other Aggregate	
	General	Special Revenue		
Fund Balances:				
Restricted for:				
Alternative learning environment	\$ 26,168			\$ 26,168
Educational programs - national school lunch state categorical funding	73,128			73,128
English-language learners	5,686			5,686
Professional development	295			295
Capital projects			\$ 1,242	1,242
Child nutrition programs		\$ 52,139		52,139
Childcare and development programs		74,029		74,029
Medical services		88,903		88,903
Special education programs	20,806	5,007		25,813
Other purposes	16,607	1,854		18,461
Total Restricted	142,690	221,932	1,242	365,864
Assigned to:				
Capital projects			227,954	227,954
Debt service			116,180	116,180
Student activities	61,972			61,972
Total Assigned	61,972		344,134	406,106
Unassigned	2,051,265	(653)		2,050,612
Totals	\$2,255,927	\$ 221,279	\$ 345,376	\$2,822,582

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BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)

Schedule 1

	Balance June 30, 2013
<i>Nondepreciable capital assets:</i>	
Land	\$ 358,290
<i>Depreciable capital assets:</i>	
Buildings	22,082,862
Improvements/infrastructure	1,073,579
Equipment	3,055,659
Total depreciable capital assets	<u>26,212,100</u>
Less accumulated depreciation for:	
Buildings	5,734,585
Improvements/infrastructure	514,429
Equipment	2,276,344
Total accumulated depreciation	<u>8,525,358</u>
Total depreciable capital assets, net	<u>17,686,742</u>
Capital assets, net	<u><u>\$ 18,045,032</u></u>

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555		\$ 2,149
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	42-01-000	143,454
National School Lunch Program - Cash Assistance	10.555	42-01-000	404,520
Total State Department of Education			547,974
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	4201000	42,762
TOTAL CHILD NUTRITION CLUSTER			592,885
OTHER PROGRAMS			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582	42-01	37,382
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	42-01	498,000
Special Education - Grants to States	84.027	4201	306,877
Rural Education	84.358	4201	40,153
Improving Teacher Quality State Grants	84.367	4201	80,652
Total U. S. Department of Education			925,682
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Temporary Assistance for Needy Families	93.558	0000200062	6,179
<u>U. S. Department of Homeland Security</u>			
Passed Through State Department of Emergency Management:			
Hazard Mitigation Grant	97.039	4201	23,889
TOTAL OTHER PROGRAMS			993,132
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,586,017

The accompanying notes are an integral part of this schedule.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

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 grant activity of Booneville School District No. 65 (District) under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 5: During the year ended June 30, 2013, the District received Medicaid funding of \$19,464 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above schedule.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued: GAAP basis of reporting - adverse
Regulatory basis opinion units - unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ yes ☐ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

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

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

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027	Special Education - Grants to States

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

\$ 300,000

Auditee qualified as low-risk auditee? ☐ yes ☒ no

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2013-001. Internal Control

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

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the same employee was responsible for receiving and depositing monies collected, preparation of payroll and non-payroll checks, maintenance of accounting records, and preparation of bank reconciliations, without compensating controls.

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

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

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

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

Views of responsible officials and planned corrective actions: The District will make every effort to segregate duties as much as possible with the available staff.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 4

U. S. DEPARTMENT OF EDUCATION
PASSED THROUGH STATE DEPARTMENT OF EDUCATION
ARRA - SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT

2012 - Finding 2012-2: ARRA - Special Education - Grants to States, Recovery Act - CFDA Number 84.391

Condition: The District paid a contractor \$29,922 for the installation of four automatic doors without obtaining a written contract that included the prevailing wage rate clause. Additionally, weekly certified payrolls were not submitted to the District.

Recommendation: The District should ensure that all applicable construction projects over \$2,000 have a contract and that the required notification regarding compliance with the Davis-Bacon Act be included. Copies of the weekly certified payrolls should be obtained for the applicable projects. The District should also contact the Arkansas Department of Education for further directives regarding this matter.

Current status: Corrective action was taken.

2012 - Finding 2012-3: ARRA - Special Education - Grants to States, Recovery Act - CFDA Number 84.391

Condition: The District paid a contractor \$29,922, previously identified in 2012-2, for the installation of four automatic doors without obtaining a written contract that included the Buy-American clause.

Recommendation: The District should ensure that all applicable construction projects have a contract and that the contract includes the required Buy-American clause. The District should also contact the Arkansas Department of Education for further directives regarding this matter.

Current status: Corrective action was taken.

BOONEVILLE SCHOOL DISTRICT NO. 65
LOGAN COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013
(Unaudited)

	Year Ended June 30,				
	2013	2012	2011	2010	2009
<u>General Fund</u>					
Total Assets	\$ 2,305,968	\$ 2,179,941	\$ 2,546,418	\$ 2,725,382	\$ 3,059,950
Total Liabilities	50,041	43,056	28,564	61,165	421,952
Total Fund Balances	2,255,927	2,136,885	2,517,854	2,664,217	2,638,358
Total Revenues	10,185,901	9,954,313	10,180,636	10,491,143	10,634,451
Total Expenditures	10,066,859	10,267,998	9,742,355	10,105,048	10,754,909
Total Other Financing Sources (Uses)		(67,284)	(584,644)	(360,236)	(657,106)
<u>Special Revenue Fund</u>					
Total Assets	227,452	243,261	225,827	502,961	426,877
Total Liabilities	6,173	77,741	15,407	305,132	14,349
Total Fund Balances	221,279	165,520	210,420	197,829	412,528
Total Revenues	1,899,766	1,794,607	2,178,002	3,133,620	1,793,970
Total Expenditures	1,843,855	1,839,507	2,165,411	3,348,319	1,834,520
Total Other Financing Sources (Uses)	(152)				
<u>Other Aggregate Funds</u>					
Total Assets	464,556	1,151,341	1,072,005	612,793	367,657
Total Liabilities	119,180	243,409		9,107	
Total Fund Balances	345,376	907,932	1,072,005	603,686	367,657
Total Revenues	636,317	1,642,386	796,345	712,866	347,675
Total Expenditures	1,498,873	1,876,364	827,670	877,848	957,447
Total Other Financing Sources (Uses)	300,000	69,905	499,644	401,011	657,106