

Melbourne School District No. 20

Izard County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2018



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IZARD COUNTY, ARKANSAS
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Arkansas



Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair

Rep. Richard Womack
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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, 2018, 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. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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, 2018, 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, 2018, 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.

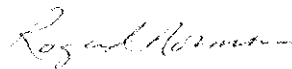
The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied 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 January 16, 2019 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
January 16, 2019
EDSD17918

Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
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House Vice Chair

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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, 2018, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 16, 2019. 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, 2018, 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.

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 those 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 16, 2019

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 (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect of each of the District's major federal programs for the year ended June 30, 2018. 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, 2018.

Report on Internal Control Over Compliance

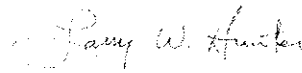
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

ARKANSAS LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 16, 2019

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2018

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 2,131,626		\$ 2,371,346	\$ 63,813
Accounts receivable	4,177	\$ 47,635		284
Due from other funds	17,292			
Deposit with paying agent			90,508	
TOTAL ASSETS	\$ 2,153,095	\$ 47,635	\$ 2,461,854	\$ 64,097
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 12,620	\$ 4,473	\$ 1,975	
Due student groups				\$ 35,773
Due to other funds		17,292		
Total Liabilities	12,620	21,765	1,975	35,773
Fund Balances:				
Nonspendable			90,508	
Restricted	252,237	25,870	377,662	28,324
Assigned	49,154		1,991,709	
Unassigned	1,839,084			
Total Fund Balances	2,140,475	25,870	2,459,879	28,324
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,153,095	\$ 47,635	\$ 2,461,854	\$ 64,097

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

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,999,593		
State assistance	4,465,201	\$ 3,101	
Federal assistance	18,812	878,480	
Activity revenues	271,584		
Meal sales		131,600	
Investment income	25,955		
Other revenues	285,229	729	
TOTAL REVENUES	8,066,374	1,013,910	
EXPENDITURES			
Regular programs	3,354,195	918	
Special education	355,528	188,554	
Career education programs	331,959		
Compensatory education programs	55,227	200,830	
Other instructional programs	142,871	480	
Student support services	318,071	60,622	
Instructional staff support services	217,893	33,269	
General administration support services	153,042	35,616	
School administration support services	351,130		
Central services support services	158,104		
Operation and maintenance of plant services	973,356		
Student transportation services	530,591		
Other support services	13,532	1,286	
Food services operations	5,802	582,953	
Community services operations		308	
Facilities acquisition and construction services			\$ 60,456
Activity expenditures	273,768		
Debt Service:			
Principal retirement			390,000
Interest and fiscal charges			189,105
TOTAL EXPENDITURES	7,235,069	1,104,836	639,561
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	831,305	(90,926)	(639,561)
OTHER FINANCING SOURCES (USES)			
Transfers in		56,622	1,175,923
Transfers out	(1,232,545)		
Refund to grantor		(2,155)	
TOTAL OTHER FINANCING SOURCES (USES)	(1,232,545)	54,467	1,175,923
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(401,240)	(36,459)	536,362
FUND BALANCES - JULY 1	2,541,715	62,329	1,923,517
FUND BALANCES - JUNE 30	\$ 2,140,475	\$ 25,870	\$ 2,459,879

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, 2018

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 2,910,883	\$ 2,999,593	\$ 88,710	\$	\$ 3,101	\$ (199)
State assistance	4,193,278	4,465,201	271,923	3,300	878,480	48,105
Federal assistance		18,812	18,812	830,375		
Activity revenues		271,584	271,584	153,900	131,600	(22,300)
Meal sales						
Investment income	10,000	25,955	15,955			
Other revenues	180,000	285,229	105,229		729	729
TOTAL REVENUES	7,294,161	8,066,374	772,213	987,575	1,013,910	26,335
EXPENDITURES						
Regular programs	3,294,779	3,354,195	(59,416)	2,155	918	1,237
Special education	358,793	355,528	3,265	199,073	188,554	10,519
Career education programs	328,306	331,959	(3,653)			
Compensatory education programs	55,188	55,227	(39)	210,107	200,830	9,277
Other instructional programs	146,759	142,871	3,888	480	480	(480)
Student support services	307,909	318,071	(10,162)	81,163	60,622	20,541
Instructional staff support services	206,399	217,893	(11,494)	27,705	33,259	(5,554)
General administration support services	159,917	153,042	6,875	35,700	35,616	84
School administration support services	356,356	351,130	5,226			
Central services support services	158,853	158,104	749			
Operation and maintenance of plant services	871,612	973,356	(101,744)			
Student transportation services	581,073	530,591	50,482			
Other support services	10,000	13,532	(3,532)			
Food services operations		5,802	(5,802)	473,443	1,286	(1,286)
Community services operations				500	582,953	(109,510)
Facilities acquisition and construction services	40,800		40,800		308	192
Activity expenditures		273,768	(273,768)			
TOTAL EXPENDITURES	6,876,744	7,235,069	(358,325)	1,029,846	1,104,836	(74,990)

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, 2018

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 417,417.00	\$ 831,305.00	\$ 413,888.00	\$ (42,271.00)	\$ (90,926.00)	\$ (48,655.00)
OTHER FINANCING SOURCES (USES)						
Transfers in	9,145,957		(9,145,957)	39,751	56,622	16,871
Transfers out	(9,721,791)	(1,232,545)	8,489,246	(39,751)		39,751
Refund to grantor				(2,155)		(2,155)
TOTAL OTHER FINANCING SOURCES (USES)	(575,834)	(1,232,545)	(656,711)	0	54,467	54,467
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(158,417)	(401,240)	(242,823)	(42,271)	(36,459)	5,812
FUND BALANCES - JULY 1	2,624,583	2,541,715	(82,868)	45,745	62,329	16,584
FUND BALANCES - JUNE 30	\$ 2,466,166	\$ 2,140,475	\$ (325,691)	\$ 3,474	\$ 25,870	\$ 22,396

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, 2018

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, 2018

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:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
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.

MELBOURNE SCHOOL DISTRICT NO. 20
IZARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

F. Property Taxes (Continued)

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2017 calendar year taxes collected by June 30, 2018 and 12 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, 2018 equaled or exceeded the 12 percent calculation.

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.

MELBOURNE SCHOOL DISTRICT NO. 20
IZARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

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

I. Budget and Budgetary Accounting (Continued)

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.

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.

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

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	4,316,585	4,847,356
Total Deposits	\$ 4,566,585	\$ 5,097,356

The above total deposits do not include cash on hand of \$200.

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2018 were comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types
	Major		
	General	Special Revenue	
State assistance	\$ 2,716		
Federal assistance	326	\$ 44,983	
Activity fund accounts			\$ 284
Meal sales		2,652	
Other	1,135		
Totals	\$ 4,177	\$ 47,635	\$ 284

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

4: **COMMITMENTS**

The District was contractually obligated for the following at June 30, 2018:

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

General description of lease and leasing arrangements:

On July 15, 2015, the District executed an operating lease for 16 copiers. This agreement stipulated monthly payments of \$1,550 for a period of 36 months.

1. Future minimum rental payments (aggregate) at June 30, 2018: \$1,550
2. Future minimum rental payments for the succeeding years:

Year Ended June 30.	Amount
2019	\$ 1,550

Rental payments for the operating lease described above were approximately \$20,274 for the year ended June 30, 2018.

B. 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, 2018	Maturities To June 30, 2018
9/1/12	2/1/35	1 - 3%	\$ 1,245,000	\$ 1,070,000	\$ 175,000
11/1/14	2/1/33	2 - 3.4%	5,285,000	4,515,000	770,000
2/1/16	2/1/35	1 - 2.75%	1,880,000	1,805,000	75,000
Totals			\$ 8,410,000	\$ 7,390,000	\$ 1,020,000

Changes in Long-term Debt

	Balance July 1, 2017	Issued	Retired	Balance June 30, 2018
Bonds payable	\$ 7,780,000	\$ 0	\$ 390,000	\$ 7,390,000

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

4: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding (Continued)

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2019	\$ 405,000	\$ 181,015	\$ 586,015
2020	420,000	174,010	594,010
2021	425,000	166,495	591,495
2022	435,000	158,703	593,703
2023	440,000	150,710	590,710
2024-2028	2,360,000	610,140	2,970,140
2029-2033	2,495,000	282,055	2,777,055
2034-2035	410,000	17,638	427,638
Totals	<u>\$ 7,390,000</u>	<u>\$ 1,740,766</u>	<u>\$ 9,130,766</u>

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 Arkansas Department of Education (ADE). Depending on the date of the bond issue, ADE 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.

5: ACCOUNTS PAYABLE

Accounts payable at June 30, 2018 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	<u>\$ 12,620</u>	<u>\$ 4,473</u>	<u>\$ 1,975</u>

6: INTERFUND TRANSFERS

The District transferred \$1,175,923 from the general fund to the other aggregate funds for debt related payments of \$575,787 and for future capital expenditures of \$600,136. The District also transferred \$56,622 from the general fund to the special revenue fund to supplement its food services operations.

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

7: 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.arts.gov.

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 District's contributions to ATRS for the year ended June 30, 2018 were \$653,399, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2017 (actuarial valuation date and measurement date) was \$6,373,670.

8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 2,500
DEDUCTIONS	
Scholarships	500
CHANGE IN FUND BALANCE	2,000
FUND BALANCE - JULY 1	26,324
FUND BALANCE - JUNE 30	\$ 28,324

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$8,410,000 issued from September 1, 2012 through February 1, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$9,130,766, payable through February 1, 2035. Principal and interest paid for the current year and total property taxes pledged for debt service were \$577,652 and \$1,028,118, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 56.19 percent.

MELBOURNE SCHOOL DISTRICT NO. 20
IZARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

10: 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 Districts carries commercial insurance for board liability and student accident 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.

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.

11: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$161,435 for the year ended June 30, 2018.

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2018

12: 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			\$ 90,508
Restricted for:			
Alternative learning environment	\$ 74		
Educational programs - national school lunch state categorical funding	61		
English-language learners	676		
Capital projects			377,662
Child nutrition programs		\$ 1,356	
Medical services		24,514	
Special education programs	38,019		
Isolated transportation funding	178,282		
Other purposes	35,125		
Total Restricted	<u>252,237</u>	<u>25,870</u>	<u>377,662</u>
Assigned to:			
Capital projects			1,991,709
Student activities	49,154		
Total Assigned	<u>49,154</u>		<u>1,991,709</u>
Unassigned	<u>1,839,084</u>		
Totals	<u>\$2,140,475</u>	<u>\$ 25,870</u>	<u>\$2,459,879</u>

13: CONSTRUCTION IN PROGRESS

The balance of the construction in progress account at June 30, 2018, at Schedule 1 represents preliminary costs associated with the construction of a new administration building. There were no significant construction commitments at June 30, 2018.

MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

Schedule 1

	Balance June 30, 2018
<i>Nondepreciable capital assets:</i>	
Land	\$ 114,199
Construction in progress	63,070
Total nondepreciable capital assets	<u>177,269</u>
<i>Depreciable capital assets:</i>	
Buildings	27,871,981
Improvements/infrastructure	1,262,858
Equipment	3,304,619
Total depreciable capital assets	<u>32,439,458</u>
Less accumulated depreciation for:	
Buildings	5,117,488
Improvements/infrastructure	404,388
Equipment	2,625,778
Total accumulated depreciation	<u>8,147,654</u>
Total depreciable capital assets, net	<u>24,291,804</u>
Capital assets, net	<u>\$ 24,469,073</u>

MELBOURNE SCHOOL DISTRICT NO 20
 IZARD COUNTY, ARKANSAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2018

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
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	3302		\$ 96,119
Arkansas Department of Education - National School Lunch Program	10.555	3302		219,628
Arkansas Department of Human Services - National School Lunch Program (Note 3)	10.555	3302000		28,681
Total for National School Lunch Program				248,309
Total U. S. Department of Agriculture				344,428
TOTAL CHILD NUTRITION CLUSTER				344,428
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	3302		201,159
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				201,159
OTHER PROGRAMS				
<u>National Endowment for the Arts</u>				
Department of Arkansas Heritage-Arkansas Arts Council - Promotion of the Arts - Partnership Agreements	45.025	3302		280
Total National Endowment for the Arts				280
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	3302		199,823
Arkansas Department of Education - Rural Education	84.358	3302		31,711
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	3302		29,751
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	3302		10,000
Total U. S. Department of Education				271,285
TOTAL OTHER PROGRAMS				271,565
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 817,152

The accompanying notes are an integral part of this schedule.

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, 2018. 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-percent de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5:** During the year ended June 30, 2018, the District received Medicaid funding of \$17,381 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, 2018

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 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

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

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

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

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS

2016 – Finding 2016-001: Internal Control
2017 – Finding 2017-001: Internal Control

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, bank reconciliations of the primary operating account were prepared by the same employee responsible for the maintenance of accounting records and payroll checks were prepared by the same employee responsible for changes to the payroll amounts, without compensating controls. Accounts payable checks were prepared by the same employee responsible for entering invoices and the same employee was responsible for receiving and depositing monies collected and maintenance of the accounting records, without compensating controls.

Current Status: Corrective action was taken.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF AGRICULTURE
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
CHILD NUTRITION CLUSTER

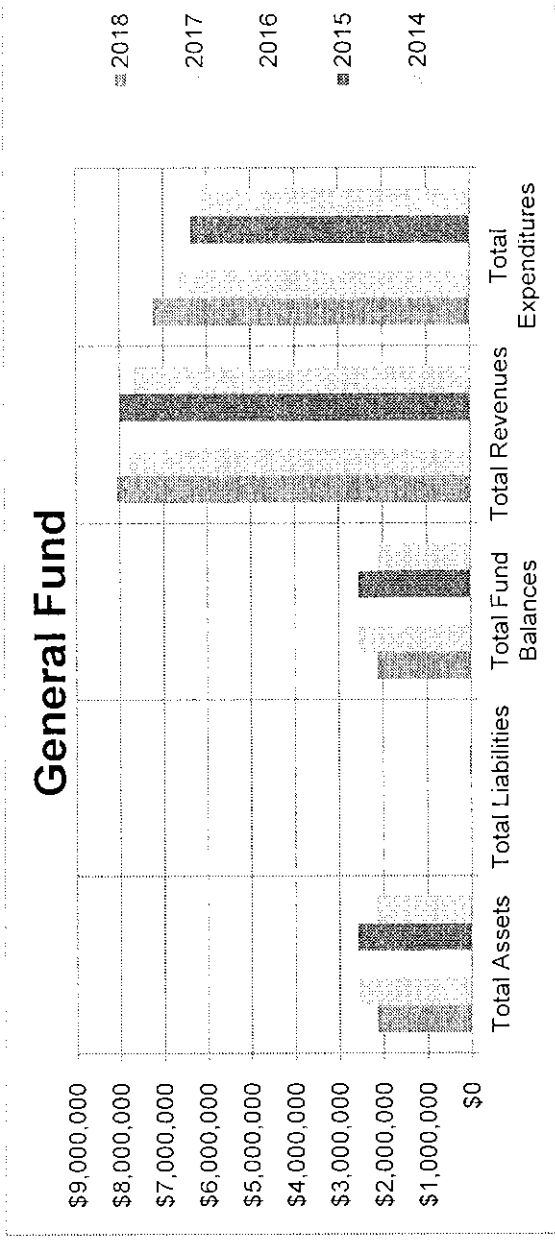
2017 - Finding 2017-002: Child Nutrition Cluster – CFDA Numbers 10.553 and 10.555

Condition: Of twenty-one applications tested, the District did not properly classify one application for free and reduced price meals. The application was classified as reduced but should have been classified as free. Additionally, six of the applications tested were not properly completed. The amount of reimbursement under claimed as a result the difference in eligibility status detected could not readily be determined.

Current Status: Corrective action was taken.

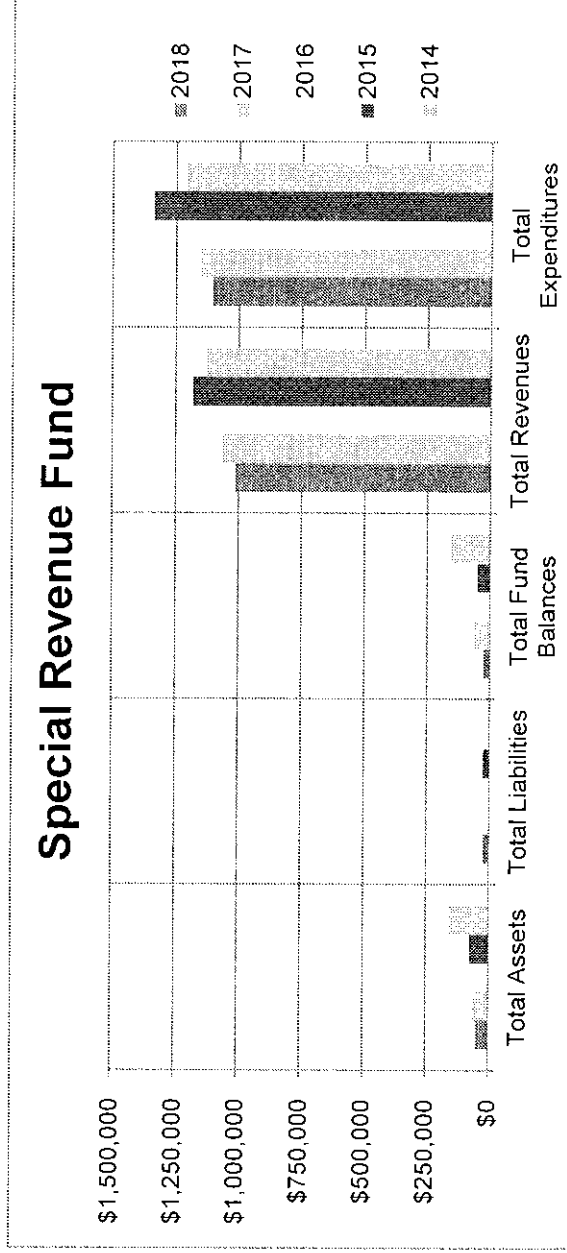
MELBOURNE SCHOOL DISTRICT NO. 20
 IZARD COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2018
 (Unaudited)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
General Fund					
Total Assets	\$ 2,153,095	\$ 2,554,701	\$ 2,799,852	\$ 2,600,581	\$ 2,156,292
Total Liabilities	12,620	12,986	171,151	40,310	24,885
Total Fund Balances	2,140,475	2,541,715	2,628,701	2,560,271	2,131,407
Total Revenues	8,066,374	7,775,422	7,836,856	8,006,007	7,668,145
Total Expenditures	7,235,069	6,613,371	6,672,305	6,371,458	6,132,798
Total Other Financing Sources (Uses)	(1,232,545)	(1,249,037)	(1,096,121)	(1,205,685)	(1,281,699)



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, 2018
 (Unaudited)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Special Revenue Fund					
Total Assets	\$ 47,635	\$ 64,171	\$ 95,723	\$ 75,464	\$ 154,198
Total Liabilities	21,765	1,842	44,146	25,384	155
Total Fund Balances	25,870	62,329	51,577	50,080	154,043
Total Revenues	1,013,910	1,064,884	1,123,705	1,182,962	1,129,663
Total Expenditures	1,104,836	1,155,232	1,222,588	1,338,372	1,209,818
Total Other Financing Sources (Uses)	54,467	101,100	100,380	51,447	84,000



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, 2018
 (Unaudited)

	Year Ended June 30,				
	2018	2017	2016	2015	2014
Other Aggregate Funds					
Total Assets	\$ 2,461,854	\$ 1,925,757	\$ 2,290,359	\$ 6,178,944	\$ 5,654,881
Total Liabilities	1,975	2,240	302,976	15,614	21,925
Total Fund Balances	2,459,879	1,923,517	1,987,383	6,163,330	5,632,956
Total Revenues	639,561	801,468	4,111,659	171,661	111,742
Total Expenditures		2,013,271	9,287,320	799,504	1,178,702
Total Other Financing Sources (Uses)	1,175,923	1,147,937	999,714	1,158,217	3,211,915

