

Mountain Home School District No. 9

Baxter County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2014

LEGISLATIVE JOINT AUDITING COMMITTEE



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BAXTER COUNTY, ARKANSAS
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JUNE 30, 2014

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Arkansas

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Rep. Mary Broadaway
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Rep. Sue Scott
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Mountain Home School District No. 9 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 Mountain Home School District No. 9 (the "District"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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 *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, 2014, 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, 2014, 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 January 5, 2015 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
January 5, 2015
EDSD01414

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair



Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

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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

Mountain Home School District No. 9 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 Mountain Home School District No. 9 (the "District"), as of and for the year ended June 30, 2014, 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 5, 2015. 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, 2014, 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 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 black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

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

Little Rock, Arkansas
January 5, 2015

Arkansas

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

Mountain Home School District No. 9 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Mountain Home School District No. 9 (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, 2014. 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, 2014.

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



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

Little Rock, Arkansas
January 5, 2015

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2014

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 6,089,003	\$ 88,791	\$ 2,240,998	\$ 121,994
Investments				15,000
Accounts receivable	4,486	284,114	605	
Deposit with paying agent	170,361		210,232	
TOTAL ASSETS	<u>\$ 6,263,850</u>	<u>\$ 372,905</u>	<u>\$ 2,451,835</u>	<u>\$ 136,994</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 116,716	\$ 10,576	\$ 64,824	
Due student groups				\$ 136,994
Total Liabilities	<u>116,716</u>	<u>10,576</u>	<u>64,824</u>	<u>136,994</u>
Fund Balances:				
Restricted	388,322	362,329	1,137,011	
Committed	344,837			
Assigned	98,456		1,250,000	
Unassigned	5,315,519			
Total Fund Balances	<u>6,147,134</u>	<u>362,329</u>	<u>2,387,011</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 6,263,850</u>	<u>\$ 372,905</u>	<u>\$ 2,451,835</u>	<u>\$ 136,994</u>

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

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 18,029,789		
State assistance	14,027,352	\$ 12,822	
Federal assistance		3,669,350	\$ 47,620
Activity revenues	257,171		
Meal sales		360,948	
Investment income	73,862		10,038
Other revenues	186,733	13,199	
TOTAL REVENUES	32,574,907	4,056,319	57,658
EXPENDITURES			
Regular programs	12,256,133	50,475	
Special education	1,258,843	774,556	
Career education programs	1,267,212	10,640	
Adult/continuing education program	7,566		
Compensatory education programs	214,005	725,595	
Other instructional programs	2,463,576		
Student support services	1,245,492	356,168	
Instructional staff support services	1,755,458	524,866	
General administration support services	469,982	120,051	
School administration support services	1,801,123		
Central services support services	419,798		
Operation and maintenance of plant services	3,477,160	15,199	415,389
Student transportation services	1,641,005	3,247	
Other support services	32,774		
Food services operations		1,692,307	
Community services operations	2,530	604	
Facilities acquisition and construction services			24,248
Non-programmed costs	26,172	19,118	
Activity expenditures	252,831		
Debt Service:			
Principal retirement	50,000		205,000
Interest and fiscal charges	1,248		1,241,036
TOTAL EXPENDITURES	28,642,908	4,292,826	1,885,673
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,931,999	(236,507)	(1,828,015)
OTHER FINANCING SOURCES (USES)			
Transfers in			2,647,475
Transfers out	(2,647,475)		
Insurance proceeds for lawsuit settlement	100,000		
Compensation for loss of capital assets	174,328		
Proceeds from refunding bonds			39,860,000
Lawsuit settlement	(300,000)		
Payment to refunding bond escrow agent			(39,521,666)
Net bond issuance costs			(262,691)
TOTAL OTHER FINANCING SOURCES (USES)	(2,673,147)		2,723,118
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,258,852	(236,507)	895,103
FUND BALANCES - JULY 1	4,888,282	598,836	1,491,908
FUND BALANCES - JUNE 30	\$ 6,147,134	\$ 362,329	\$ 2,387,011

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

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 17,022,853	\$ 18,029,789	\$ 1,006,936			
State assistance	13,800,260	14,027,352	227,092	\$ 14,000	\$ 12,822	\$ (1,178)
Federal assistance	50,000		(50,000)	3,894,929	3,669,350	(225,579)
Activity revenues		257,171	257,171			
Meal sales				561,000	360,948	(200,052)
Investment income	60,000	73,862	13,862			
Other revenues	164,500	186,733	22,233	2,000	13,199	11,199
TOTAL REVENUES	31,097,613	32,574,907	1,477,294	4,471,929	4,056,319	(415,610)
EXPENDITURES						
Regular programs	12,586,592	12,256,133	330,459	51,945	50,475	1,470
Special education	1,238,181	1,258,843	(20,662)	793,235	774,556	18,679
Career education programs	1,292,323	1,267,212	25,111	30,000	10,640	19,360
Adult/continuing education program	7,000	7,566	(566)			
Compensatory education programs	226,018	214,005	12,013	707,430	725,595	(18,165)
Other instructional programs	2,568,414	2,463,576	104,838			
Student support services	1,250,393	1,245,492	4,901	383,708	356,168	27,540
Instructional staff support services	1,775,947	1,755,458	20,489	697,058	524,866	172,192
General administration support services	807,047	469,982	337,065	111,447	120,051	(8,604)
School administration support services	1,821,999	1,801,123	20,876			
Central services support services	441,590	419,798	21,792			
Operation and maintenance of plant services	3,383,105	3,477,160	(94,055)	6,000	15,199	(9,199)
Student transportation services	1,688,539	1,641,005	47,534	6,000	3,247	2,753
Other support services	70,000	32,774	37,226	8,000		8,000
Food services operations				1,631,983	1,692,307	(60,324)
Community services operations		2,530	(2,530)		604	(604)
Non-programmed costs		26,172	(26,172)		19,118	(19,118)
Activity expenditures		252,831	(252,831)			
Debt Service:						
Principal retirement	50,000	50,000				
Interest and fiscal charges	10,186	1,248	8,938			
TOTAL EXPENDITURES	29,217,334	28,642,908	574,426	4,426,806	4,292,826	133,980

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,880,279	\$ 3,931,999	\$ 2,051,720	\$ 45,123	\$ (236,507)	\$ (281,630)
OTHER FINANCING SOURCES (USES)						
Transfers in	41,487,043		(41,487,043)			
Transfers out	(44,130,228)	(2,647,475)	41,482,753			
Insurance proceeds for lawsuit settlement		100,000	100,000			
Compensation for loss of capital assets		174,328	174,328			
Lawsuit settlement		(300,000)	(300,000)			
TOTAL OTHER FINANCING SOURCES (USES)	(2,643,185)	(2,673,147)	(29,962)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(762,906)	1,258,852	2,021,758	45,123	(236,507)	(281,630)
FUND BALANCES - JULY 1	4,843,016	4,888,282	45,266	423,844	598,836	174,992
FUND BALANCES - JUNE 30	<u>\$ 4,080,110</u>	<u>\$ 6,147,134</u>	<u>\$ 2,067,024</u>	<u>\$ 468,967</u>	<u>\$ 362,329</u>	<u>\$ (106,638)</u>

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

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 Mountain Home 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).

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.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

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:

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	7-30
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 2013 calendar year taxes collected by June 30, 2014 and 28 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, 2014 equaled or exceeded the 28 percent calculation.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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. 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. Committed fund balance – represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the District's Board of Education.
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.

H. 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.

I. 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.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

The District's highest level of decision-making authority is its Board of Education. The establishment of amounts classified as committed fund balances and subsequent modifications to such balances are the result of formal action taken by the District's Board of Education through a resolution or adoption of board policy.

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.

L. 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)	\$ 501,112	\$ 501,112
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	8,054,674	8,807,382
Total Deposits	\$ 8,555,786	\$ 9,308,494

The above total deposits include certificates of deposit of \$15,000 reported as investments and classified as nonparticipating contracts.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2014 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Federal assistance		\$ 283,577	
Other	\$ 4,486	537	\$ 605
Totals	\$ 4,486	\$ 284,114	\$ 605

4: COMMITMENTS

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

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Campus improvements	October 31, 2014	\$ 308,781
Entry renovation - High School, Junior High, and Middle School	October 31, 2014	169,469

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, 2014	Maturities To June 30, 2014
5/1/01	12/1/16	3.6 - 4.5%	\$ 1,018,700	\$ 270,000	\$ 748,700
3/1/04	12/1/16	2.4 - 3.3%	1,425,000	375,000	1,050,000
7/7/11	6/1/27	4.65%	925,000	925,000	
9/1/13	12/1/37	3 - 4%	39,860,000	39,860,000	
6/1/05	6/1/15		198,550	198,550	
9/27/11	9/27/21	4.55%	185,456	185,456	
Totals			\$ 43,612,706	\$ 41,814,006	\$ 1,798,700

Changes in Long-term Debt

	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014
Bonds payable	\$ 40,405,000	\$ 39,860,000	\$ 38,835,000	\$ 41,430,000
Certificates of indebtedness	50,000		50,000	
Postdated warrants	384,006			384,006
Totals	\$ 40,839,006	\$ 39,860,000	\$ 38,885,000 *	\$ 41,814,006

*Includes \$38,630,000 early retirement of debt - See Note 6.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

4: COMMITMENTS (Continued)

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

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2015	\$ 583,550	\$ 1,617,236	\$ 2,200,786
2016	1,110,000	1,593,191	2,703,191
2017	1,145,000	1,557,596	2,702,596
2018	1,185,000	1,521,738	2,706,738
2019	1,225,000	1,485,588	2,710,588
2020-2024	6,990,456	6,821,390	13,811,846
2025-2029	9,130,000	5,463,775	14,593,775
2030-2034	10,250,000	3,467,294	13,717,294
2035-2038	10,195,000	944,887	11,139,887
Totals	<u>\$ 41,814,006</u>	<u>\$ 24,472,695</u>	<u>\$ 66,286,701</u>

Qualified Zone Academy Bond (QZAB)

On June 5, 2005, the District obtained funding of \$198,550 through the Qualified Zone Academy Bond (QZAB) program, a debt financial arrangement authorized under the Taxpayer Relief Act of 1997. The District will deposit \$18,710 annually into a sinking fund for 10 years for a total of \$187,100. This amount plus interest earned will be used to retire the debt when due.

Qualified School Construction Bonds

On July 7, 2011 and September 27, 2011, the District obtained funding of \$925,000 and \$185,456, respectively, from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit specified amounts annually into sinking funds for 16 years and 10 years, respectively. These amounts plus interest earned will be used to retire the debt when due.

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, 2014 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	<u>\$ 116,716</u>	<u>\$ 10,576</u>	<u>\$ 64,824</u>

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

6: DEBT REFUNDINGS

On September 1, 2013, the District issued refunding bonds of \$39,860,000 with interest rates of 3 to 4.5 percent to refund \$38,630,000 of outstanding bonds dated September 1, 2008. The interest rates of the bonds refunded were 4 to 5 percent. Net bond proceeds of \$39,521,666 were remitted to an escrow agent to provide all future debt service payment for the bonds refunded. These bonds were called on December 1, 2013. The remaining proceeds of \$75,643 (after payment of \$262,691 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$2,016,212 to the District over the life of the bonds.

7: INTERFUND TRANSFERS

The District transferred \$2,647,475 from the general fund to the other aggregate funds for debt related payments of \$1,397,475 and future capital projects of \$1,250,000.

8: 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 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 or by calling 1-800-666-2877.

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, 2014, 2013, and 2012 were \$2,692,210, \$2,732,445, and \$2,752,615, 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 non-teaching school employees. 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, 2014, 2013, and 2012 were \$1,262, \$1,208, and \$1,145, respectively, equal to the required contributions for each year.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$43,228,700 issued from May 1, 2001 through September 1, 2013. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$65,835,189, payable through December 1, 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,435,747 and \$3,851,512, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 37.28 percent.

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 District carries commercial insurance for board liability, student accidents, and business trips. Settled claims have exceeded the commercial coverage for board liability in the past three fiscal years. As detailed in Note 13, a lawsuit was settled during the year ended June 30, 2014, with the insurance carrier contributing \$100,000 and the District incurring the remaining cost of \$200,000. 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.

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.

The District participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

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 \$635,517 for the year ended June 30, 2014.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2014

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 42,911		
Educational programs - national school lunch state categorical funding	24,331		
Professional development	10,433		
Capital projects			\$ 926,779
Child nutrition programs		\$ 329,657	
Debt service	170,361		210,232
Medical services		27,826	
Special education programs	43,220		
Other purposes	97,066	4,846	
Total Restricted	<u>388,322</u>	<u>362,329</u>	<u>1,137,011</u>
Committed to:			
Capital projects	<u>344,837</u>		
Assigned to:			
Capital projects			1,250,000
Student activities	<u>98,456</u>		
Total Assigned	<u>98,456</u>		<u>1,250,000</u>
Unassigned	<u>5,315,519</u>		
Totals	<u>\$6,147,134</u>	<u>\$ 362,329</u>	<u>\$2,387,011</u>

13: LAWSUIT SETTLEMENT

On July 25, 2013, the District reached an agreement on the *Braden v Mountain Home School District* lawsuit with a settlement of \$300,000. The settlement states \$100,000 will be paid by the insurance carrier and the balance of \$200,000 will be paid by the District.

14: COMPENSATION FOR LOSS OF CAPITAL ASSETS

During the year ended June 30, 2014, the District received insurance proceeds of \$174,328 for ice and snow storm damage to the High School and Middle School.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2014
 (Unaudited)

Schedule 1

	Balance June 30, 2014
<i>Nondepreciable capital assets:</i>	
Land	\$ 862,692
<i>Depreciable capital assets:</i>	
Buildings	56,840,537
Improvements/infrastructure	2,972,435
Equipment	7,754,816
Total depreciable capital assets	67,567,788
Less accumulated depreciation for:	
Buildings	13,622,108
Improvements/infrastructure	1,989,765
Equipment	6,029,340
Total accumulated depreciation	21,641,213
Total depreciable capital assets, net	45,926,575
Capital assets, net	\$ 46,789,267

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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		\$ 15,998
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	03-03	251,204
National School Lunch Program - Cash Assistance	10.555	03-03-000	888,140
Total State Department of Education			<u>1,139,344</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	0303000	84,324
TOTAL CHILD NUTRITION CLUSTER			<u>1,239,666</u>
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	03-03	1,069,982
Special Education - Grants to States	84.027	03-03	791,840
Rural Education	84.358	03-03	81,450
Improving Teacher Quality State Grants	84.367	03-03	187,869
Total State Department of Education			<u>2,131,141</u>
Passed Through State Department of Career Education:			
Career and Technical Education - Basic Grants to States	84.048	03-03	58,721
Total U. S. Department of Education			<u>2,189,862</u>
TOTAL OTHER PROGRAMS			<u>2,189,862</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,429,528</u>

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 grant activity of Mountain Home School District No. 9 (District) under programs of the federal government for the year ended June 30, 2014. 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, 2014, the District received Medicaid funding of \$180,756 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

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 Section 510(a) of OMB Circular A-133? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies

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

\$ 300,000

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.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Schedule 4

There were no findings in the prior audit.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2014
 (Unaudited)

Schedule 5

<u>General Fund</u>	Year Ended June 30,				
	2014	2013	2012	2011	2010
Total Assets	\$ 6,263,850	\$ 4,937,132	\$ 3,960,154	\$ 3,052,415	\$ 2,519,526
Total Liabilities	116,716	48,850	53,438	36,820	283,011
Total Fund Balances	6,147,134	4,888,282	3,906,716	3,015,595	2,236,515
Total Revenues	32,574,907	31,246,957	30,909,935	30,075,750	29,881,406
Total Expenditures	28,642,908	27,525,704	27,277,052	26,727,417	26,628,768
Total Other Financing Sources (Uses)	(2,673,147)	(2,739,687)	(2,741,762)	(2,569,253)	(2,590,296)
 <u>Special Revenue Fund</u>					
Total Assets	372,905	601,739	739,410	749,800	723,955
Total Liabilities	10,576	2,903	23,282	5,085	169,999
Total Fund Balances	362,329	598,836	716,128	744,715	553,956
Total Revenues	4,056,319	4,277,072	5,021,103	4,981,529	5,208,088
Total Expenditures	4,292,826	4,394,364	5,049,690	4,739,141	5,213,765
Total Other Financing Sources (Uses)					
 <u>Other Aggregate Funds</u>					
Total Assets	2,451,835	1,496,973	2,708,563	5,313,152	15,375,155
Total Liabilities	64,824	5,065	236,836	793,964	1,534,998
Total Fund Balances	2,387,011	1,491,908	2,471,727	4,519,188	13,840,157
Total Revenues	57,658	65,403	1,208,870	1,373,742	762,773
Total Expenditures	1,885,673	3,784,909	7,072,789	13,419,565	19,055,293
Total Other Financing Sources (Uses)	2,723,118	2,739,687	3,816,458	2,673,225	2,590,296