

**Mountain View School District No. 30**

**Stone County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2013**

LEGISLATIVE JOINT AUDITING COMMITTEE

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STONE COUNTY, ARKANSAS  
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JUNE 30, 2013

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# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE

### DIVISION OF LEGISLATIVE AUDIT

#### INDEPENDENT AUDITOR'S REPORT

Mountain View School District No. 30 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 View School District No. 30 (the "District"), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

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

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

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

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

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

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

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

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

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

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

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2013, or the changes in financial position for the year then ended.

### **Opinion on Regulatory Basis of Accounting**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

### **Other Matters**

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years - Regulatory Basis are presented for the purposes of additional analysis and are not a required part of the regulatory basis financial statements.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
February 10, 2014  
EDSD36613

Sen. Bryan B. King  
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# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

Mountain View School District No. 30 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 View School District No. 30 (the "District"), as of and for the year ended June 30, 2013, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated February 10, 2014. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's regulatory basis financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2013-001 to be a material weakness.

#### Compliance and Other Matters

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

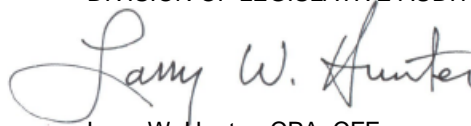
### **District's Response to Findings**

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

### **Purpose of this Report**

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

DIVISION OF LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 10, 2014

Sen. Bryan B. King  
Senate Chair  
Rep. Kim Hammer  
House Chair  
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House Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

### INDEPENDENT AUDITOR'S REPORT

Mountain View School District No. 30 and School Board Members  
Legislative Joint Auditing Committee

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

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

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

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

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

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

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

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

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

#### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002. Our opinion on each major federal program is not modified with respect to these matters.

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

## Report on Internal Control Over Compliance

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

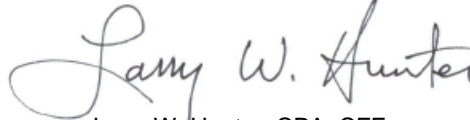
*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2013-002, that we consider to be a significant deficiency.

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

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

DIVISION OF LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 10, 2014



MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2013

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 3,604,497		\$ 3,750	\$ 87,498
Investments	2,000,000			
Accounts receivable	2,288	\$ 169,588		
Due from other funds	120,930			
<b>TOTAL ASSETS</b>	<b>\$ 5,727,715</b>	<b>\$ 169,588</b>	<b>\$ 3,750</b>	<b>\$ 87,498</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 61,164	\$ 6,523	\$ 211,145	\$ 2,347
Due student groups				82,516
Due to other funds		120,930		
<b>Total Liabilities</b>	<b>61,164</b>	<b>127,453</b>	<b>211,145</b>	<b>84,863</b>
<b>Fund Balances:</b>				
Restricted	430,471	42,481	3,750	2,635
Assigned	116,446			
Unassigned	5,119,634	(346)	(211,145)	
<b>Total Fund Balances</b>	<b>5,666,551</b>	<b>42,135</b>	<b>(207,395)</b>	<b>2,635</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 5,727,715</b>	<b>\$ 169,588</b>	<b>\$ 3,750</b>	<b>\$ 87,498</b>

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

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

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 3,866,435		
State assistance	9,255,139	\$ 5,942	\$ 692,159
Federal assistance	109,379	2,037,430	
Activity revenues	137,310		
Meal sales		145,726	
Investment income	18,167		
Other revenues	56,284	1,189	
<b>TOTAL REVENUES</b>	<b>13,442,714</b>	<b>2,190,287</b>	<b>692,159</b>
<b>EXPENDITURES</b>			
Regular programs	6,233,330	56,340	
Special education	555,609	403,812	
Career education programs	570,208	34,863	
Compensatory education programs	53,747	614,193	
Other instructional programs	161,607		
Student support services	481,582	39,111	
Instructional staff support services	455,714	181,565	
General administration support services	246,375	83,955	
School administration support services	874,275		
Central services support services	73,124		
Operation and maintenance of plant services	1,174,533		
Student transportation services	979,186	28,120	
Other support services	35,166		
Food services operations	9,592	857,346	
Community services operations		423	
Facilities acquisition and construction services	49,208		1,814,356
Activity expenditures	127,123		
Debt Service:			
Principal retirement	45,657		250,000
Interest and fiscal charges	1,139		71,591
<b>TOTAL EXPENDITURES</b>	<b>12,127,175</b>	<b>2,299,728</b>	<b>2,135,947</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,315,539</b>	<b>(109,441)</b>	<b>(1,443,788)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		84,954	321,591
Transfers out	(406,545)		
Proceeds from refunding bond issue			1,110,000
Payment to refunding bond escrow agent			(1,083,762)
Net bond issuance costs			(22,488)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(406,545)</b>	<b>84,954</b>	<b>325,341</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>908,994</b>	<b>(24,487)</b>	<b>(1,118,447)</b>
<b>FUND BALANCES - JULY 1</b>	<b>4,757,557</b>	<b>66,622</b>	<b>911,052</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 5,666,551</b>	<b>\$ 42,135</b>	<b>\$ (207,395)</b>

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

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 3,319,694	\$ 3,866,435	\$ 546,741			
State assistance	9,148,007	9,255,139	107,132	\$ 5,600	\$ 5,942	\$ 342
Federal assistance	78,577	109,379	30,802	2,221,774	2,037,430	(184,344)
Activity revenues		137,310	137,310			
Meal sales				177,884	145,726	(32,158)
Investment income	38,385	18,167	(20,218)			
Other revenues		56,284	56,284		1,189	1,189
<b>TOTAL REVENUES</b>	<b>12,584,663</b>	<b>13,442,714</b>	<b>858,051</b>	<b>2,405,258</b>	<b>2,190,287</b>	<b>(214,971)</b>
<b>EXPENDITURES</b>						
Regular programs	6,527,579	6,233,330	294,249	61,394	56,340	5,054
Special education	556,643	555,609	1,034	439,591	403,812	35,779
Career education programs	608,868	570,208	38,660	34,863	34,863	
Compensatory education programs	68,000	53,747	14,253	763,952	614,193	149,759
Other instructional programs	170,208	161,607	8,601			
Student support services	482,811	481,582	1,229	51,008	39,111	11,897
Instructional staff support services	494,373	455,714	38,659	210,203	181,565	28,638
General administration support services	454,197	246,375	207,822	88,347	83,955	4,392
School administration support services	887,767	874,275	13,492			
Central services support services	71,072	73,124	(2,052)			
Operation and maintenance of plant services	1,350,724	1,174,533	176,191			
Student transportation services	1,260,700	979,186	281,514	29,084	28,120	964
Other support services	44,173	35,166	9,007			
Food services operations		9,592	(9,592)	819,906	857,346	(37,440)
Community services operations				3,000	423	2,577
Facilities acquisition and construction services		49,208	(49,208)			
Activity expenditures		127,123	(127,123)			
Debt Service:						
Principal retirement	45,657	45,657				
Interest and fiscal charges	1,139	1,139				
<b>TOTAL EXPENDITURES</b>	<b>13,023,911</b>	<b>12,127,175</b>	<b>896,736</b>	<b>2,501,348</b>	<b>2,299,728</b>	<b>201,620</b>

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2013

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (439,248)	\$ 1,315,539	\$ 1,754,787	\$ (96,090)	\$ (109,441)	\$ (13,351)
OTHER FINANCING SOURCES (USES)						
Transfers in	6,681,000		(6,681,000)	54,537	84,954	30,417
Transfers out	(7,057,128)	(406,545)	6,650,583			
TOTAL OTHER FINANCING SOURCES (USES)	(376,128)	(406,545)	(30,417)	54,537	84,954	30,417
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(815,376)	908,994	1,724,370	(41,553)	(24,487)	17,066
FUND BALANCES - JULY 1	4,622,161	4,757,557	135,396	41,553	66,622	25,069
FUND BALANCES - JUNE 30	\$ 3,806,785	\$ 5,666,551	\$ 1,859,766	\$ 0	\$ 42,135	\$ 42,135

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

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
STONE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mountain View 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.

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

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

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

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

F. Property Taxes

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

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2012 calendar year taxes collected by June 30, 2013 and 32 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2013 equaled or exceeded the 32 percent calculation.

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
STONE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

F. Property Taxes (Continued)

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

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

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

I. Budget and Budgetary Accounting

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

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

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

J. Stabilization Arrangements

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

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

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

K. Minimum Fund Balance Policies

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

L. Fund Balance Classification Policies and Procedures

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

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

M. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	5,195,745	5,283,672
Total Deposits	\$ 5,695,745	\$ 5,783,672

The above total deposits include certificates of deposit of \$2,000,000 reported as investments and classified as nonparticipating contracts.



MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$171,876 at June 30, 2013 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Federal assistance	\$ 2,288	\$ 169,588	\$ 171,876

**4: COMMITMENTS**

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
Vocational building and renovations to gym	January 1, 2014	\$ 332,899

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, 2013	Maturities To June 30, 2013
2/1/13	2/1/20	1 - 1.25%	\$ 1,110,000	\$ 1,110,000	
7/1/03	2/1/14	3.75%	360,000	40,000	\$ 320,000
4/1/08	2/1/20	2.5 - 3.45%	1,075,000	675,000	400,000
Totals			\$ 2,545,000	\$ 1,825,000	\$ 720,000

Changes in Long-term Debt

	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
Bonds payable	\$ 2,045,000	\$ 1,110,000	\$ 1,330,000	\$ 1,825,000
Certificates of indebtedness	45,657		45,657	
Totals	\$ 2,090,657	\$ 1,110,000	\$ 1,375,657 *	\$ 1,825,000

\*Includes \$1,080,000 early retirement of debt - See Note 6.

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

**4: COMMITMENTS (Continued)**

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

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 225,000	\$ 35,643	\$ 260,643
2015	245,000	30,592	275,592
2016	260,000	26,118	286,118
2017	265,000	21,492	286,492
2018	270,000	16,610	286,610
2019-2020	560,000	17,458	577,458
Totals	<u>\$ 1,825,000</u>	<u>\$ 147,913</u>	<u>\$ 1,972,913</u>

**5: ACCOUNTS PAYABLE**

The accounts payable balance of \$281,179 at June 30, 2013 was comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types	Total
	Major		Other Aggregate		
	General	Special Revenue			
Vendor payables	\$ 61,164	\$ 6,523	\$ 211,145	\$ 2,347	\$ 281,179

**6: DEBT REFUNDINGS**

On February 1, 2013, the District issued refunding bonds of \$1,110,000 with interest rates of 1 to 1.25 percent to advance refund \$1,080,000 of outstanding bonds dated July 1, 2003 with interest rates of 2.25 to 3.9%. Bond proceeds of \$1,083,762 were remitted to an escrow agent to pay all future debt payments of the 2003 bond issue. The remaining bond proceeds of \$3,750 (after payment of \$22,488 net bond issuance costs) were applied to subsequent debt payments. The refunding produced a total savings of \$84,598 calculated by the fiscal agent. The July 1, 2003 bonds were called on March 6, 2013.

**7: INTERFUND TRANSFERS**

The District transferred \$321,591 from the general fund to the other aggregate funds for debt related payments and \$84,954 from the general fund to the special revenue fund to supplement its food services operations.

**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 nonteachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

**8: RETIREMENT PLANS (Continued)**

Arkansas Teacher Retirement System (Continued)

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The District's contributions to ATRS for the years ended June 30, 2013, 2012, and 2011 were \$1,268,527, \$1,286,203, and \$1,270,358, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteachers hired before July 1, 1989. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the years ended June 30, 2013, 2012, and 2011 were \$3,978, \$3,978, and \$3,980, respectively, equal to the required contributions for each year.

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

ADDITIONS	
Other	\$ 1,050
	<hr/>
DEDUCTIONS	
Scholarships	500
	<hr/>
CHANGE IN FUND BALANCE	550
FUND BALANCE - JULY 1	<hr/> 2,085
FUND BALANCE - JUNE 30	<hr/> <u>\$ 2,635</u>

**10: DEFICIT FUND BALANCES**

The child nutrition program within the special revenue fund and the capital projects fund within the other aggregate funds had deficit unassigned fund balances at June 30, 2013 of \$346 and \$211,145, respectively, due to accounts payable. The deficits were corrected by July and August 2013 receipts and by transferring sufficient funds from the general fund in September 2013.

**11: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$2,545,000 issued from July 1, 2003 to February 1, 2013. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$1,972,913, payable through February 1, 2020. Principal and interest paid for the current year and total property taxes pledged for debt service were \$320,440 and \$522,925, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 61.28 percent.

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2013

**12: RISK MANAGEMENT**

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

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

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

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

**13: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$165,455 for the year ended June 30, 2013.

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

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
<b>Fund Balances:</b>				
<b>Restricted for:</b>				
Alternative learning environment	\$ 2,987			\$ 2,987
Educational programs - national school lunch state categorical funding	50,780			50,780
English-language learners	1,708			1,708
Professional development	14,172			14,172
Debt service			\$ 3,750	3,750
Medical services		\$ 40,122		40,122
Special education programs	80,941			80,941
Isolated funding	271,974			271,974
Other purposes	7,909	2,359		10,268
<b>Total Restricted</b>	<b>430,471</b>	<b>42,481</b>	<b>3,750</b>	<b>476,702</b>
<b>Assigned to:</b>				
Student activities	116,446			116,446
<b>Unassigned</b>	<b>5,119,634</b>	<b>(346)</b>	<b>(211,145)</b>	<b>4,908,143</b>
<b>Totals</b>	<b>\$ 5,666,551</b>	<b>\$ 42,135</b>	<b>\$ (207,395)</b>	<b>\$ 5,501,291</b>

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2013  
 (Unaudited)

Schedule 1

	Balance June 30, 2013
<i>Nondepreciable capital assets:</i>	
Land	\$ 275,224
<i>Depreciable capital assets:</i>	
Buildings	13,569,184
Improvements/infrastructure	456,661
Equipment	5,286,587
Total depreciable capital assets	19,312,432
Less accumulated depreciation for:	
Buildings	5,603,002
Improvements/infrastructure	353,202
Equipment	3,618,601
Total accumulated depreciation	9,574,805
Total depreciable capital assets, net	9,737,627
Capital assets, net	\$ 10,012,851

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
STONE COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	69-01	\$ 141,554
National School Lunch Program - Cash Assistance	10.555	69-01	440,001
Total State Department of Education			581,555
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	6901000	37,635
TOTAL CHILD NUTRITION CLUSTER			619,190
<b>OTHER PROGRAMS</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	69-01	789,882
Special Education - Grants to States	84.027	69-01	382,254
Education Technology State Grants	84.318	69-01	50,938
Rural Education	84.358	69-01	34,918
Improving Teacher Quality State Grants	84.367	69-01	56,339
Total State Department of Education			1,314,331
Passed Through State Department of Career Education:			
Career and Technical Education - Basic Grants to States	84.048	69-01	34,863
Total U. S. Department of Education			1,349,194
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Temporary Assistance for Needy Families	93.558	000200449	17,244
TOTAL OTHER PROGRAMS			1,366,438
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,985,628

The accompanying notes are an integral part of this schedule.

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
STONE COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Mountain View School District No. 30 (District) under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 4: During the year ended June 30, 2013, the District received Medicaid funding of \$36,836 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 VIEW SCHOOL DISTRICT NO. 30  
 STONE COUNTY, ARKANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2013

Schedule 3

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

**FINANCIAL STATEMENTS**

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

**FEDERAL AWARDS**

Internal control over major programs:

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

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

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

Identification of major programs:

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

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no



MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
STONE COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

2013-001. Internal Control

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

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the responsibilities of receipting, depositing, and reconciliation procedures were not segregated.

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

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

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

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

Views of responsible officials and planned corrective actions: The District will segregate duties to the extent possible to improve internal control.

MOUNTAIN VIEW SCHOOL DISTRICT NO. 30  
STONE COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 3

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

SIGNIFICANT DEFICIENCY

U. S. DEPARTMENT OF AGRICULTURE  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
NATIONAL SCHOOL LUNCH PROGRAM - CASH ASSISTANCE - CFDA NUMBER 10.555  
PASS-THROUGH NUMBER 69-01  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2013

2013-002. Reporting

Criteria or specific requirement: The Arkansas Department of Education, Child Nutrition Unit (ADE, CNU) requires school districts to submit monthly claims for reimbursement for meals served to all students based on their eligibility status.

Condition: Our examination of the District's claims for reimbursement for six months disclosed excess claims of 3,000 free lunches and one reduced price lunch resulting in the District receiving excess reimbursements totaling \$8,642 for the months of September 2012 and January 2013.

Context: Examination of documentation substantiating monthly claims for reimbursement.

Effect: The September 2012 claim for reimbursement reflected 3,000 more free lunches than the daily count forms indicated and the January 2013 claim for reimbursement reflected one more reduced price lunch than the daily count forms indicated.

Cause: Lack of internal controls and management oversight resulted in the reporting errors.

Recommendation: The District should contact ADE, CNU to resolve this issue.

Views of responsible officials and planned corrective actions: The District has contacted Child Nutrition to address the excess claims for lunch reimbursements. Child Nutrition will advise the District on how to resolve this issue. The District will involve more employees in the reimbursement process.

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

Schedule 4

There were no findings in the prior audit.

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

<b>General Fund</b>	Year Ended June 30,				
	2013	2012	2011	2010	2009
Total Assets	\$ 5,727,715	\$ 4,912,320	\$ 6,000,585	\$ 5,275,131	\$ 4,906,591
Total Liabilities	61,164	154,763	61,807	70,206	56,770
Total Fund Balances	5,666,551	4,757,557	5,938,778	5,204,925	4,849,821
Total Revenues	13,442,714	12,809,330	13,083,410	12,599,781	12,301,700
Total Expenditures	12,127,175	12,624,491	12,011,885	11,909,607	11,583,853
Total Other Financing Sources (Uses)	(406,545)	(1,366,060)	(337,672)	(335,070)	(368,866)
 <b>Special Revenue Fund</b>					
Total Assets	169,588	241,954	161,639	313,254	236,460
Total Liabilities	127,453	175,332	103,463	231,523	1,111
Total Fund Balances	42,135	66,622	58,176	81,731	235,349
Total Revenues	2,190,287	2,527,282	3,047,230	4,003,063	2,095,249
Total Expenditures	2,299,728	2,560,896	3,075,911	4,169,344	2,107,557
Total Other Financing Sources (Uses)	84,954	42,060	11,534	12,663	49,733
 <b>Other Aggregate Funds</b>					
Total Assets	3,750	911,052	25,053	25,052	25,052
Total Liabilities	211,145				
Total Fund Balances	(207,395)	911,052	25,053	25,052	25,052
Total Revenues	692,159		163,792		300,264
Total Expenditures	2,135,947	438,001	496,337	322,407	913,804
Total Other Financing Sources (Uses)	325,341	1,324,000	326,138	322,407	318,001