

Malvern School District

Hot Spring County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2014



MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
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JUNE 30, 2014

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Arkansas

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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

Malvern School District 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 Malvern School District (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 22, 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 22, 2015
EDSD16114

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

Malvern School District 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 Malvern School District (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 22, 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.

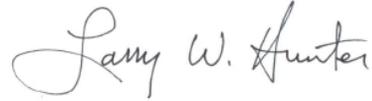
Compliance and Other Matters

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 cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 22, 2015

Arkansas

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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

Malvern School District and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Malvern School District (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



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 22, 2015

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2014

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 3,046,805		\$ 5,334,718	\$ 215,044
Investments				6,426
Accounts receivable	5,275	\$ 289,379	68,215	
Due from other funds	100,754			
Deposit with paying agent			222,398	
TOTAL ASSETS	\$ 3,152,834	\$ 289,379	\$ 5,625,331	\$ 221,470
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 50,945	\$ 16,395	\$ 157,334	
Due student groups				\$ 174,776
Due to other funds		100,754		
Total Liabilities	50,945	117,149	157,334	174,776
Fund Balances:				
Restricted	342,782	188,625	3,197,598	46,694
Assigned	185,531		2,270,399	
Unassigned	2,573,576	(16,395)		
Total Fund Balances	3,101,889	172,230	5,467,997	46,694
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,152,834	\$ 289,379	\$ 5,625,331	\$ 221,470

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

MALVERN SCHOOL DISTRICT
HOT SPRING 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)	\$ 7,267,483		
State assistance	11,283,393	\$ 7,518	\$ 68,215
Federal assistance		2,860,386	49,972
Activity revenues	209,429		
Meal sales		139,333	
Investment income	38,675		1,311
Other revenues	236,613	3,429	61,499
TOTAL REVENUES	19,035,593	3,010,666	180,997
EXPENDITURES			
Regular programs	6,804,429	7,456	8,554
Special education	723,870	398,308	
Career education programs	398,430	18	
Compensatory education programs	170,381	648,528	
Other instructional programs	1,376,723	63,659	
Student support services	920,481	493,652	
Instructional staff support services	1,337,628	121,478	
General administration support services	345,275	26,641	
School administration support services	928,544		
Central services support services	386,648		
Operation and maintenance of plant services	1,880,410		44,524
Student transportation services	879,788	15,981	
Other support services	127,781	9,200	
Food services operations		1,304,838	
Facilities acquisition and construction services	20,830		792,397
Non-programmed costs		29,333	
Activity expenditures	243,659		
Debt Service:			
Principal retirement	49,099		75,000
Interest and fiscal charges	2,823		347,555
TOTAL EXPENDITURES	16,596,799	3,119,092	1,268,030
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,438,794	(108,426)	(1,087,033)
OTHER FINANCING SOURCES (USES)			
Transfers in		59,354	2,329,471
Transfers out	(2,388,825)		
Proceeds of bond issues			11,200,000
Payment to refunding bond escrow agent			(8,041,038)
Net bond issuance costs			(253,101)
TOTAL OTHER FINANCING SOURCES (USES)	(2,388,825)	59,354	5,235,332
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	49,969	(49,072)	4,148,299
FUND BALANCES - JULY 1	3,051,920	221,302	1,319,698
FUND BALANCES - JUNE 30	\$ 3,101,889	\$ 172,230	\$ 5,467,997

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

MALVERN SCHOOL DISTRICT
HOT SPRING 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)	\$ 6,711,312	\$ 7,267,483	\$ 556,171			
State assistance	11,161,125	11,283,393	122,268	\$ 7,383	\$ 7,518	\$ 135
Federal assistance				2,913,533	2,860,386	(53,147)
Activity revenues	3,500	209,429	205,929			
Meal sales				135,500	139,333	3,833
Investment income	38,000	38,675	675			
Other revenues	166,100	236,613	70,513		3,429	3,429
TOTAL REVENUES	18,080,037	19,035,593	955,556	3,056,416	3,010,666	(45,750)
EXPENDITURES						
Regular programs	7,339,263	6,804,429	534,834	14,429	7,456	6,973
Special education	741,839	723,870	17,969	483,122	398,308	84,814
Career education programs	432,888	398,430	34,458		18	(18)
Compensatory education programs	196,204	170,381	25,823	667,768	648,528	19,240
Other instructional programs	1,404,265	1,376,723	27,542	63,550	63,659	(109)
Student support services	922,198	920,481	1,717	593,733	493,652	100,081
Instructional staff support services	1,549,970	1,337,628	212,342	210,596	121,478	89,118
General administration support services	418,095	345,275	72,820	26,357	26,641	(284)
School administration support services	937,530	928,544	8,986			
Central services support services	454,586	386,648	67,938			
Operation and maintenance of plant services	1,874,927	1,880,410	(5,483)			
Student transportation services	982,133	879,788	102,345	34,196	15,981	18,215
Other support services	120,000	127,781	(7,781)		9,200	(9,200)
Food services operations				1,244,044	1,304,838	(60,794)
Community services operations				300		300
Facilities acquisition and construction services	31,000	20,830	10,170	9,200		9,200
Non-programmed costs					29,333	(29,333)
Activity expenditures		243,659	(243,659)			
Debt Service:						
Principal retirement	49,100	49,099	1			
Interest and fiscal charges	2,823	2,823				
TOTAL EXPENDITURES	17,456,821	16,596,799	860,022	3,347,295	3,119,092	228,203

MALVERN SCHOOL DISTRICT
HOT SPRING 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	\$ 623,216	\$ 2,438,794	\$ 1,815,578	\$ (290,879)	\$ (108,426)	\$ 182,453
OTHER FINANCING SOURCES (USES)						
Transfers in	23,027,255		(23,027,255)	136,318	59,354	(76,964)
Transfers out	(24,326,538)	(2,388,825)	21,937,713	(66,318)		66,318
TOTAL OTHER FINANCING SOURCES (USES)	(1,299,283)	(2,388,825)	(1,089,542)	70,000	59,354	(10,646)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(676,067)	49,969	726,036	(220,879)	(49,072)	171,807
FUND BALANCES - JULY 1	3,429,182	3,051,920	(377,262)	221,302	221,302	
FUND BALANCES - JUNE 30	\$ 2,753,115	\$ 3,101,889	\$ 348,774	\$ 423	\$ 172,230	\$ 171,807

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

MALVERN SCHOOL DISTRICT
HOT SPRING 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 Malvern 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.

MALVERN SCHOOL DISTRICT
HOT SPRING 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 \$1,500 for capitalizing equipment. Library holdings are not capitalized.

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20
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.

MALVERN SCHOOL DISTRICT
HOT SPRING 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. 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.

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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)	\$ 502,623	\$ 502,623
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	8,096,567	8,545,564
Total Deposits	\$ 8,599,190	\$ 9,048,187

The above total deposits include certificates of deposit of \$2,623 reported as investments and classified as nonparticipating contracts.

3: INVESTMENTS

In addition to the certificates of deposit of \$2,623 referred to in Note 2, the District has the following investment:

Type of Investment	Fair Value
T. Rowe Price High Yield Fund	\$3,803

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

3: INVESTMENTS (Continued)

The District has no investment policy that would limit its investment choices or address any related risks. Any risks associated with the investments listed above would be immaterial. The District's total investments of \$6,426 pertain to fiduciary fund types.

4: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ 5,275		\$ 68,215
Federal assistance		\$ 289,379	
Totals	\$ 5,275	\$ 289,379	\$ 68,215

5: COMMITMENTS

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

A. Construction Contract

Project Name	Estimated Completion Date	Contract Balance
Sports Arena	August 1, 2015	\$ 5,662,244

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

General description of lease and leasing arrangements:

31 copiers and 222 printers from Datamax Leasing Division for a term of 60 months with monthly rental payments of \$8,683 plus applicable sales taxes, executed on May 1, 2012.

1. Future minimum rental payments (aggregate) at June 30, 2014: \$295,222

2. The District is assessed the following cost per copy:

Black and white copies	.008
Color copies	.085

3. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2015	\$ 104,196
2016	104,196
2017	86,830
Total	\$ 295,222

Rental payments for the operating leases described above were approximately \$189,230 for the year ended June 30, 2014.

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5: COMMITMENTS (Continued)

C. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2014	Maturities To June 30, 2014
4/28/11	4/1/26	5%	\$ 925,000	\$ 925,000	
4/15/11	4/1/41	1.5 - 4.55%	3,135,000	2,890,000	\$ 245,000
8/15/12	4/1/41	1.15 - 3%	1,045,000	985,000	60,000
12/1/13	2/1/43	1 - 4.5%	8,240,000	8,240,000	
1/1/14	2/1/43	1.375 - 4.55%	2,960,000	2,960,000	
9/6/11	9/6/21	4.37%	185,456	185,456	
8/30/12	8/31/15	1.85%	150,093	100,994	49,099
Totals			<u>\$ 16,640,549</u>	<u>\$ 16,286,450</u>	<u>\$ 354,099</u>

Changes in Long-term Debt

	Balance July 1, 2013	Issued	Retired	Balance June 30, 2014
Bonds payable	\$ 12,775,000	\$ 11,200,000	\$ 7,975,000	\$ 16,000,000
Postdated warrants	185,456			185,456
Installment contracts	150,093		49,099	100,994
Totals	<u>\$ 13,110,549</u>	<u>\$ 11,200,000</u>	<u>\$ 8,024,099</u> *	<u>\$ 16,286,450</u>

*Includes \$7,900,000 early retirement of debt - See Note 7.

Future Principal and Interest Payments

Year Ended June 30,	Principal	Interest	Total
2015	\$ 290,028	\$ 675,467	\$ 965,495
2016	350,966	612,087	963,053
2017	300,000	607,337	907,337
2018	305,000	603,268	908,268
2019	315,000	597,814	912,814
2020-2024	1,865,456	2,857,511	4,722,967
2025-2029	3,205,000	2,406,167	5,611,167
2030-2034	3,005,000	1,805,309	4,810,309
2035-2039	3,670,000	1,139,015	4,809,015
2040-2043	2,980,000	316,020	3,296,020
Totals	<u>\$ 16,286,450</u>	<u>\$ 11,619,995</u>	<u>\$ 27,906,445</u>

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

5: COMMITMENTS (Continued)

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

Qualified School Construction Bonds

On April 28, 2011, the District obtained funding of \$925,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit a specified amount annually into a sinking fund for 15 years. This amount plus interest earned will be used to retire the debt when due.

On September 6, 2011, the District obtained funding of \$185,456 from Qualified School District Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit a specified amount annually into a sinking fund for 10 years. This amount 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.

6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2014 were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 49,309	\$ 16,395	\$ 157,334
Payroll withholdings and matching	1,636		
Totals	<u>\$ 50,945</u>	<u>\$ 16,395</u>	<u>\$ 157,334</u>

7: DEBT REFUNDING

On December 1, 2013, the District issued refunding bonds of \$8,240,000 with interest rates of 1 to 4.5 percent to refund \$7,900,000 of outstanding bonds dated April 1, 2008. The interest rates of the bonds refunded were 3 to 4.05 percent. Net bond proceeds of \$8,041,038 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on January 20, 2014. The remaining proceeds of \$15,759 (after payment of \$183,203 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds resulted in no savings to the District because the maturity date was extended from fiscal year 2030 to fiscal year 2043.

8: INTERFUND TRANSFERS

The District transferred \$2,329,471 from the general fund to the other aggregate funds for debt related payments of \$319,357 and capital projects of \$2,010,114. The District transferred \$59,354 from the general fund to the special revenue fund to supplement its food services operations.

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

9: 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 \$1,566,086, \$1,622,545, and \$1,614,825, 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 \$902, \$2,020, and \$2,008, respectively, equal to the required contributions for each year.

10: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 11,155
Interest	<u>539</u>
TOTAL ADDITIONS	<u>11,694</u>
DEDUCTIONS	
Scholarships	<u>7,834</u>
CHANGE IN FUND BALANCE	3,860
FUND BALANCE - JULY 1	<u>42,834</u>
FUND BALANCE - JUNE 30	<u>\$ 46,694</u>

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

11: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$16,305,000 issued from April 15, 2011 to January 1, 2014. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$27,552,310, payable through February 1, 2043. Principal and interest paid for the current year and total property taxes pledged for debt service were \$412,856 and \$2,441,797, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 16.91 percent.

12: RISK MANAGEMENT

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

The District carries commercial insurance for its coverage of board liability, student accidents, and business trip accidental death and dismemberment. 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 \$296,131 for the year ended June 30, 2014.

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 18,582		
Educational programs - national school lunch state categorical funding	110,972		
English-language learners	5,300		
Professional development	10,591		
Capital projects			\$2,975,200
Debt service			222,398
Medical services		\$ 181,067	
Special education programs	5,191	7,518	
School-based health center	146,548		
Other purposes	45,598	40	
Total Restricted	<u>342,782</u>	<u>188,625</u>	<u>3,197,598</u>
Assigned to:			
Capital projects			2,270,399
Student activities	185,531		
Total Assigned	<u>185,531</u>		<u>2,270,399</u>
Unassigned	<u>2,573,576</u>	<u>(16,395)</u>	
Totals	<u>\$3,101,889</u>	<u>\$ 172,230</u>	<u>\$5,467,997</u>

15: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$16,395 in the special revenue fund, as displayed in the table at Note 14 above, pertains to the Child Nutrition federal program. The temporary deficit was caused by the recognition of accounts payable at year-end.

16. SUBSEQUENT EVENTS

On November 1, 2014, the District issued construction bonds of \$2,325,000.

MALVERN SCHOOL DISTRICT
HOT SPRING 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	\$ 741,392
Construction in progress	673,869
Total nondepreciable capital assets	1,415,261
 <i>Depreciable capital assets:</i>	
Buildings	23,631,569
Improvements/infrastructure	1,692,587
Equipment	3,217,538
Total depreciable capital assets	28,541,694
 Less accumulated depreciation for:	
Buildings	5,941,543
Improvements/infrastructure	587,429
Equipment	2,551,708
Total accumulated depreciation	9,080,680
Total depreciable capital assets, net	19,461,014
Capital assets, net	\$ 20,876,275

MALVERN SCHOOL DISTRICT
HOT SPRING 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		\$ 3,207
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	30-04-000	218,944
National School Lunch Program - Cash Assistance	10.555	30-04-000	641,754
Total State Department of Education			<u>860,698</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	3004000	75,394
TOTAL CHILD NUTRITION CLUSTER			<u>939,299</u>
OTHER PROGRAMS			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582	30-04-000	75,450
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC (Note 5)	12.AR060012		63,659
<u>U. S. Department of Labor</u>			
Passed through Central Arkansas Development Council, Inc.:			
Job Training Partnership Act	17.250	30-04	18
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	30-04	728,906
Special Education - Grants to States	84.027	30-04	473,971
Rural Education	84.358	30-04	32,029
Improving Teacher Quality State Grants	84.367	30-04	86,283
Total State Department of Education			<u>1,321,189</u>
Passed Through State Department of Career Education:			
Career and Technical Education - Basic Grants to States	84.048	30-04	366
Total U. S. Department of Education			<u>1,321,555</u>
TOTAL OTHER PROGRAMS			<u>1,460,682</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,399,981</u>

The accompanying notes are an integral part of this schedule.

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

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 Malvern School District (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: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 6: During the year ended June 30, 2014, the District received Medicaid funding of \$393,580 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

MALVERN SCHOOL DISTRICT
HOT SPRING 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.

MALVERN SCHOOL DISTRICT
HOT SPRING COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2014
(Unaudited)

General Fund	Year Ended June 30,				
	2014	2013	2012	2011	2010
Total Assets	\$ 3,152,834	\$ 3,094,631	\$ 3,144,129	\$ 2,751,272	\$ 2,332,559
Total Liabilities	50,945	42,711	103,429	136,311	200,127
Total Fund Balances	3,101,889	3,051,920	3,040,700	2,614,961	2,132,432
Total Revenues	19,035,593	17,887,255	17,578,214	17,077,773	16,592,597
Total Expenditures	16,596,799	16,189,269	15,337,408	15,232,840	15,013,048
Total Other Financing Sources (Uses)	(2,388,825)	(1,686,766)	(1,815,067)	(1,362,404)	(898,878)
 Special Revenue Fund					
Total Assets	289,379	386,179	513,290	140,586	152,320
Total Liabilities	117,149	164,877	321,071	109,149	43,768
Total Fund Balances	172,230	221,302	192,219	31,437	108,552
Total Revenues	3,010,666	2,917,968	3,275,035	3,362,941	4,858,648
Total Expenditures	3,119,092	2,889,310	3,114,253	3,468,983	4,972,897
Total Other Financing Sources (Uses)	59,354	425		(165)	
 Other Aggregate Funds					
Total Assets	5,625,331	1,319,698	2,289,914	4,859,420	1,028,944
Total Liabilities	157,334		353,316	254,589	
Total Fund Balances	5,467,997	1,319,698	1,936,598	4,604,831	1,028,944
Total Revenues	180,997	1,118,450	2,645,560	65,313	
Total Expenditures	1,268,030	4,572,877	7,360,666	1,225,633	605,010
Total Other Financing Sources (Uses)	5,235,332	2,837,527	2,046,873	4,765,299	1,045,685