

**Malvern School District**

**Hot Spring County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2013**



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HOT SPRING COUNTY, ARKANSAS  
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Sen. Bryan B. King  
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House Vice Chair

# Arkansas



Roger A. Norman, JD, CPA, CFE  
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, 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 January 13, 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  
January 13, 2014  
EDSD16113

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

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE

### DIVISION OF LEGISLATIVE AUDIT

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

#### INDEPENDENT AUDITOR'S REPORT

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, 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 January 13, 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 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.

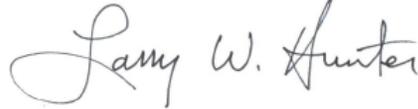
#### **Compliance and Other Matters**

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 13, 2014

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

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, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

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

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

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

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

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

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

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

#### **Report on Internal Control Over Compliance**

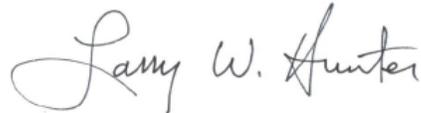
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

DIVISION OF LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 13, 2014

MALVERN SCHOOL DISTRICT  
HOT SPRING 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	\$ 2,873,519		\$ 1,094,423	\$ 188,164
Investments				6,279
Accounts receivable	56,235	\$ 386,179	83,395	146
Due from other funds	164,877			
Deposit with paying agent			141,880	
<b>TOTAL ASSETS</b>	<b>\$ 3,094,631</b>	<b>\$ 386,179</b>	<b>\$ 1,319,698</b>	<b>\$ 194,589</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 42,711			
Due student groups				\$ 151,755
Due to other funds		\$ 164,877		
Total Liabilities	42,711	164,877		151,755
Fund Balances:				
Restricted	183,186	221,302	\$ 144,986	42,834
Assigned	219,761		1,174,712	
Unassigned	2,648,973			
Total Fund Balances	3,051,920	221,302	1,319,698	42,834
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,094,631</b>	<b>\$ 386,179</b>	<b>\$ 1,319,698</b>	<b>\$ 194,589</b>

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, 2013

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 6,559,303		
State assistance	10,854,506	\$ 7,562	\$ 239,906
Federal assistance		2,781,274	792,459
Activity revenues	226,096		
Meal sales		129,103	
Investment income	47,471		494
Other revenues	199,879	29	85,591
<b>TOTAL REVENUES</b>	<b>17,887,255</b>	<b>2,917,968</b>	<b>1,118,450</b>
EXPENDITURES			
Regular programs	6,574,866	16,741	223,877
Special education	739,171	368,050	
Career education programs	499,961		
Compensatory education programs	166,600	632,187	
Other instructional programs	1,326,219	62,988	
Student support services	885,734	429,343	
Instructional staff support services	1,299,507	234,318	2,444
General administration support services	357,693	26,222	
School administration support services	913,109		
Central services support services	387,045		
Operation and maintenance of plant services	1,676,850		132,119
Student transportation services	962,536	24,831	
Other support services	134,697		
Food services operations		1,094,630	
Facilities acquisition and construction services			3,305,381
Activity expenditures	213,191		
Debt Service:			
Principal retirement	50,191		415,000
Interest and fiscal charges	1,899		494,056
<b>TOTAL EXPENDITURES</b>	<b>16,189,269</b>	<b>2,889,310</b>	<b>4,572,877</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,697,986</b>	<b>28,658</b>	<b>(3,454,427)</b>
OTHER FINANCING SOURCES (USES)			
Transfers in		425	1,836,434
Transfers out	(1,836,859)		
Proceeds from installment contract	150,093		
Proceeds from construction bonds			1,045,000
Net bond issuance costs			(43,907)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,686,766)</b>	<b>425</b>	<b>2,837,527</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>11,220</b>	<b>29,083</b>	<b>(616,900)</b>
FUND BALANCES - JULY 1	3,040,700	192,219	1,936,598
FUND BALANCES - JUNE 30	<u>\$ 3,051,920</u>	<u>\$ 221,302</u>	<u>\$ 1,319,698</u>

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, 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)	\$ 6,448,900	\$ 6,559,303	\$ 110,403			
State assistance	10,510,458	10,854,506	344,048	\$ 7,000	\$ 7,562	\$ 562
Federal assistance				2,732,496	2,781,274	48,778
Activity revenues		226,096	226,096			
Meal sales				131,000	129,103	(1,897)
Investment income	35,000	47,471	12,471			
Other revenues	173,098	199,879	26,781		29	29
<b>TOTAL REVENUES</b>	<b>17,167,456</b>	<b>17,887,255</b>	<b>719,799</b>	<b>2,870,496</b>	<b>2,917,968</b>	<b>47,472</b>
<b>EXPENDITURES</b>						
Regular programs	6,821,147	6,574,866	246,281	13,841	16,741	(2,900)
Special education	767,150	739,171	27,979	453,398	368,050	85,348
Career education programs	489,974	499,961	(9,987)			
Compensatory education programs	209,942	166,600	43,342	644,351	632,187	12,164
Other instructional programs	1,400,463	1,326,219	74,244	62,014	62,988	(974)
Student support services	1,012,141	885,734	126,407	500,971	429,343	71,628
Instructional staff support services	1,475,380	1,299,507	175,873	264,261	234,318	29,943
General administration support services	413,378	357,693	55,685	26,330	26,222	108
School administration support services	943,064	913,109	29,955			
Central services support services	408,290	387,045	21,245			
Operation and maintenance of plant services	1,734,052	1,676,850	57,202			
Student transportation services	949,572	962,536	(12,964)	29,696	24,831	4,865
Other support services	58,750	134,697	(75,947)			
Food services operations				1,067,129	1,094,630	(27,501)
Community services operations				300		300
Facilities acquisition and construction services	5,000		5,000			
Activity expenditures		213,191	(213,191)			
Debt Service:						
Principal retirement	50,118	50,191	(73)			
Interest and fiscal charges	3,750	1,899	1,851			
<b>TOTAL EXPENDITURES</b>	<b>16,742,171</b>	<b>16,189,269</b>	<b>552,902</b>	<b>3,062,291</b>	<b>2,889,310</b>	<b>172,981</b>

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, 2013

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 425,285	\$ 1,697,986	\$ 1,272,701	\$ (191,795)	\$ 28,658	\$ 220,453
OTHER FINANCING SOURCES (USES)						
Transfers in	22,861,371		(22,861,371)		425	425
Transfers out	(23,994,991)	(1,836,859)	22,158,132			
Proceeds from installment contract	149,925	150,093	168			
TOTAL OTHER FINANCING SOURCES (USES)	(983,695)	(1,686,766)	(703,071)		425	425
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(558,410)	11,220	569,630	(191,795)	29,083	220,878
FUND BALANCES - JULY 1	3,300,362	3,040,700	(259,662)	192,219	192,219	
FUND BALANCES - JUNE 30	\$ 2,741,952	\$ 3,051,920	\$ 309,968	\$ 424	\$ 221,302	\$ 220,878

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

MALVERN SCHOOL DISTRICT  
HOT SPRING 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 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, 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 \$1,500 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:

<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.

MALVERN SCHOOL DISTRICT  
HOT SPRING 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.

MALVERN SCHOOL DISTRICT  
HOT SPRING COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

J. Stabilization Arrangements

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

K. Minimum Fund Balance Policies

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

L. Fund Balance Classification Policies and Procedures

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

The District's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the District's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when 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)	\$ 502,665	\$ 502,665
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	3,656,102	4,038,257
Total Deposits	\$ 4,158,767	\$ 4,540,922

The above total deposits do not include cash of \$4 which was held in the Hot Spring County Treasury. The above total deposits include certificates of deposit of \$2,665 reported as investments and classified as nonparticipating contracts.

MALVERN SCHOOL DISTRICT  
HOT SPRING COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**3: INVESTMENTS**

In addition to the certificates of deposit of \$2,665 referred to in Note 2, the District has the following investment:

<u>Type of Investment</u>	<u>Fair Value</u>
T. Rowe Price High Yield Fund	<u>\$3,614</u>

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 \$6,279 pertain to the fiduciary fund types.

**4: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$525,955 at June 30, 2013 was comprised of the following:

<u>Description</u>	<u>Governmental Funds</u>			<u>Fiduciary Fund Types</u>	<u>Total</u>
	<u>Major</u>				
	<u>General</u>	<u>Special Revenue</u>	<u>Other Aggregate</u>		
State assistance	\$ 56,235				\$ 56,235
Federal assistance		\$ 386,179	\$ 83,395		469,574
Activity fund accounts				\$ 146	146
<b>Totals</b>	<u>\$ 56,235</u>	<u>\$ 386,179</u>	<u>\$ 83,395</u>	<u>\$ 146</u>	<u>\$ 525,955</u>

**5: COMMITMENTS**

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

- A. 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, 2013: \$399,418
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 104,196
2015	104,196
2016	104,196
2017	<u>86,830</u>
<b>Total</b>	<u>\$ 399,418</u>

Rental payments for the operating lease described above were approximately \$133,946 for the year ended June 30, 2013.

MALVERN SCHOOL DISTRICT  
HOT SPRING COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**5: COMMITMENTS (Continued)**

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
4/1/08	2/1/30	3 - 4.05%	\$ 8,505,000	\$ 7,900,000	\$ 605,000
4/28/11	4/1/26	5%	925,000	925,000	
4/15/11	4/1/41	1.5 - 4.55%	3,135,000	2,940,000	195,000
8/15/12	4/1/41	1.15 - 3%	1,045,000	1,010,000	35,000
9/6/11	9/6/21	4.37%	185,456	185,456	
8/30/12	8/31/15	1.85%	150,093	150,093	
<b>Totals</b>			<b>\$ 13,945,549</b>	<b>\$ 13,110,549</b>	<b>\$ 835,000</b>

Changes in Long-term Debt

	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
Bonds payable	\$ 12,145,000	\$ 1,045,000	\$ 415,000	\$ 12,775,000
Postdated warrants	185,456			185,456
Installment contracts	50,191	150,093	50,191	150,093
<b>Totals</b>	<b>\$ 12,380,647</b>	<b>\$ 1,195,093</b>	<b>\$ 465,191</b>	<b>\$ 13,110,549</b>

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 464,099	\$ 493,890	\$ 957,989
2015	480,028	481,349	961,377
2016	490,966	467,860	958,826
2017	450,000	453,629	903,629
2018	470,000	439,262	909,262
2019-2023	2,780,456	1,938,650	4,719,106
2024-2028	4,140,000	1,310,275	5,450,275
2029-2033	2,065,000	549,065	2,614,065
2034-2038	1,035,000	288,483	1,323,483
2039-2041	735,000	63,145	798,145
<b>Totals</b>	<b>\$ 13,110,549</b>	<b>\$ 6,485,608</b>	<b>\$ 19,596,157</b>

MALVERN SCHOOL DISTRICT  
HOT SPRING COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**5: COMMITMENTS (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.

**6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities balance of \$42,711 at June 30, 2013 was comprised of the following:

Description	Governmental Fund
	Major
	General
Vendor payables	\$ 41,292
Payroll withholdings and matching	1,419
Totals	\$ 42,711

**7: INTERFUND TRANSFERS**

The District transferred \$1,836,434 from the general fund to the other aggregate funds for debt related payments of \$933,328, capital projects of \$900,000, and refunding savings of \$3,106 required to be utilized for capital expenditures. The District transferred \$425 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.

**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 \$1,622,545, \$1,614,825, and \$1,624,309, respectively, equal to the required contributions for each year.

MALVERN SCHOOL DISTRICT  
HOT SPRING COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**8: RETIREMENT PLANS (Continued)**

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 \$2,020, \$2,008, and \$2,069, respectively, equal to the required contributions for each year.

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

ADDITIONS	
Donations	\$ 15,974
Interest	343
Gain on investment	<u>116</u>
TOTAL ADDITIONS	<u>16,433</u>
DEDUCTIONS	
Scholarships	<u>9,971</u>
CHANGE IN FUND BALANCE	6,462
FUND BALANCE - JULY 1	<u>36,372</u>
FUND BALANCE - JUNE 30	<u><u>\$ 42,834</u></u>

**10: PLEDGED REVENUE**

The District has pledged a portion of its property taxes to retire bonds of \$13,610,000 issued from April 1, 2008 to August 15, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$19,181,995, payable through April 1, 2041. Principal and interest paid for the current year and total property taxes pledged for debt service were \$899,251 and \$2,203,856, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 40.80 percent.

**11: RISK MANAGEMENT**

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

The District carries commercial insurance for 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.

MALVERN SCHOOL DISTRICT  
HOT SPRING COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**11: RISK MANAGEMENT (Continued)**

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.

**12: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$223,064 for the year ended June 30, 2013.

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

Fund Balances:

Restricted for:

Alternative learning environment	\$ 3,101		\$ 3,101
Educational programs - national school lunch state categorical funding	92,220		92,220
English-language learners	11,966		11,966
Professional development	2,963		2,963
Capital projects		\$ 3,106	3,106
Child nutrition programs	\$ 64,061		64,061
Debt service		141,880	141,880
Medical services		146,055	146,055
Special education programs	13,455	10,762	24,217
Other purposes	59,481	424	59,905
Total Restricted	<u>183,186</u>	<u>221,302</u>	<u>144,986</u>

Assigned to:

Capital projects		1,174,712	1,174,712
Student activities	219,761		219,761
Total Assigned	<u>219,761</u>	<u>1,174,712</u>	<u>1,394,473</u>

Unassigned

	<u>2,648,973</u>		<u>2,648,973</u>
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Totals	<u>\$3,051,920</u>	<u>\$ 221,302</u>	<u>\$1,319,698</u>	<u>\$4,592,920</u>
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MALVERN SCHOOL DISTRICT  
HOT SPRING COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**14: SUBSEQUENT EVENTS**

- (a) On December 1, 2013, the District issued refunding bonds of \$8,240,000 to advance refund bonds dated April 1, 2008.
- (b) On January 1, 2014, the District issued construction bonds of \$2,960,000 to provide funds to construct and equip school facilities, including constructing and equipping a high school multipurpose center.

MALVERN SCHOOL DISTRICT  
HOT SPRING 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	\$ 741,392
<i>Depreciable capital assets:</i>	
Buildings	23,520,064
Improvements/infrastructure	1,692,586
Equipment	3,272,442
Total depreciable capital assets	28,485,092
Less accumulated depreciation for:	
Buildings	5,529,731
Improvements/infrastructure	500,747
Equipment	2,513,736
Total accumulated depreciation	8,544,214
Total depreciable capital assets, net	19,940,878
Capital assets, net	\$ 20,682,270

MALVERN SCHOOL DISTRICT  
HOT SPRING 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>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555		\$ 2,499
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	30-04-000	208,183
National School Lunch Program - Cash Assistance	10.555	30-04-000	616,238
Total State Department of Education			<u>824,421</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	3004000	64,296
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>891,216</u>
<b>OTHER PROGRAMS</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582	30-04-000	48,227
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC (Note 5)	12.AR060012		62,988
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	30-04	726,409
Special Education - Grants to States	84.027	30-04	406,513
Rural Education	84.358	30-04	50,156
Improving Teacher Quality State Grants	84.367	30-04	139,033
ARRA - Education Jobs Fund, Recovery Act	84.410	30-04	13,841
Total U. S. Department of Education			<u>1,335,952</u>
<u>U. S. Department of Homeland Security</u>			
Passed Through State Department of Emergency Management:			
Hazard Mitigation Grant	97.039	30-04	738,105
<b>TOTAL OTHER PROGRAMS</b>			<u>2,185,272</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 3,076,488</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, 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 Malvern School District (District) under programs of the federal government for the year ended June 30, 2013. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 5: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 6: During the year ended June 30, 2013, the District received Medicaid funding of \$368,558 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, 2013

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, 2013  
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2013	2012	2011	2010	2009
Total Assets	\$ 3,094,631	\$ 3,144,129	\$ 2,751,272	\$ 2,332,559	\$ 1,568,765
Total Liabilities	42,711	103,429	136,311	200,127	117,004
Total Fund Balances	3,051,920	3,040,700	2,614,961	2,132,432	1,451,761
Total Revenues	17,887,255	17,578,214	17,077,773	16,592,597	16,544,207
Total Expenditures	16,189,269	15,337,408	15,232,840	15,013,048	14,510,115
Total Other Financing Sources (Uses)	(1,686,766)	(1,815,067)	(1,362,404)	(898,878)	(1,115,544)
 <u>Special Revenue Fund</u>					
Total Assets	386,179	513,290	140,586	152,320	227,750
Total Liabilities	164,877	321,071	109,149	43,768	4,949
Total Fund Balances	221,302	192,219	31,437	108,552	222,801
Total Revenues	2,917,968	3,275,035	3,362,941	4,858,648	3,078,779
Total Expenditures	2,889,310	3,114,253	3,468,983	4,972,897	3,156,700
Total Other Financing Sources (Uses)	425		(165)		
 <u>Other Aggregate Funds</u>					
Total Assets	1,319,698	2,289,914	4,859,420	1,028,944	588,269
Total Liabilities		353,316	254,589		
Total Fund Balances	1,319,698	1,936,598	4,604,831	1,028,944	588,269
Total Revenues	1,118,450	2,645,560	65,313		
Total Expenditures	4,572,877	7,360,666	1,225,633	605,010	553,910
Total Other Financing Sources (Uses)	2,837,527	2,046,873	4,765,299	1,045,685	1,115,544