

**South Mississippi County School District No. 57**

**Mississippi County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2013**

LEGISLATIVE JOINT AUDITING COMMITTEE

---



SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2013

Independent Auditor's Report  
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*  
Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet - Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds - Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds - Regulatory Basis	C
Notes to Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Expenditures of Federal Awards	2
Schedule of Findings and Questioned Costs	3
Federal Award Programs - Summary Schedule of Prior Audit Findings	4
Schedule of Selected Information for the Last Five Years - Regulatory Basis (Unaudited)	5

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

#### INDEPENDENT AUDITOR'S REPORT

South Mississippi County School District No. 57 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 South Mississippi County School District No. 57 (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 March 10, 2014 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
March 10, 2014  
EDSD25613

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

South Mississippi County School District No. 57 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 South Mississippi County School District No. 57 (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 March 10, 2014. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### **Internal Control Over Financial Reporting**

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

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

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

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

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

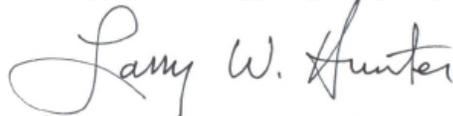
**District's Response to Findings**

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

**Purpose of this Report**

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

DIVISION OF LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
March 10, 2014

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

#### INDEPENDENT AUDITOR'S REPORT

South Mississippi County School District No. 57 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the South Mississippi County School District No. 57 (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**

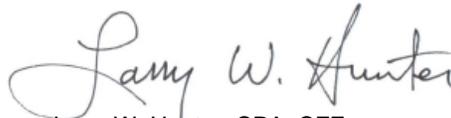
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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  
March 10, 2014

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2013

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 3,198,767	\$ 170,025	\$ 8,225,316	\$ 1,595
Accounts receivable		211,550	195,324	
Deposit with paying agent			260,826	
<b>TOTAL ASSETS</b>	<b>\$ 3,198,767</b>	<b>\$ 381,575</b>	<b>\$ 8,681,466</b>	<b>\$ 1,595</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 41,850	\$ 1,797		
Due student groups				\$ 1,595
<b>Total Liabilities</b>	<b>41,850</b>	<b>1,797</b>		<b>1,595</b>
Fund Balances:				
Restricted	417,772	379,778	\$ 5,701,245	
Assigned	73,103		2,980,221	
Unassigned	2,666,042			
<b>Total Fund Balances</b>	<b>3,156,917</b>	<b>379,778</b>	<b>8,681,466</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,198,767</b>	<b>\$ 381,575</b>	<b>\$ 8,681,466</b>	<b>\$ 1,595</b>

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

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 2,498,527		
State assistance	8,164,518	\$ 5,705	\$ 2,301,331
Federal assistance	10,059	1,620,530	
Activity revenues	266,426		
Meal sales		70,840	
Investment income	18,096		2,976
Other revenues	498,236	10,708	380,000
<b>TOTAL REVENUES</b>	<b>11,455,862</b>	<b>1,707,783</b>	<b>2,684,307</b>
<b>EXPENDITURES</b>			
Regular programs	4,132,845	51,631	
Special education	307,813	158,357	
Career education programs	179,088		
Compensatory education programs	476,726	382,857	
Other instructional programs	260,618		
Student support services	433,231	129,062	
Instructional staff support services	704,110	84,463	
General administration support services	252,294	24,287	
School administration support services	417,943		
Central services support services	305,396		
Operation and maintenance of plant services	1,336,971		
Student transportation services	570,542	18,788	
Other support services	9,617		
Food services operations		773,776	
Community services operations		7,679	
Facilities acquisition and construction services			3,539,967
Non-programmed costs		2,982	
Activity expenditures	252,037		
Debt Service:			
Principal retirement	33,170		155,000
Interest and fiscal charges	15,405		367,706
<b>TOTAL EXPENDITURES</b>	<b>9,687,806</b>	<b>1,633,882</b>	<b>4,062,673</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,768,056</b>	<b>73,901</b>	<b>(1,378,366)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			3,154,061
Transfers out	(3,154,061)		
Sale of capital assets	1,783,033		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,371,028)</b>		<b>3,154,061</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>397,028</b>	<b>73,901</b>	<b>1,775,695</b>
<b>FUND BALANCES - JULY 1</b>	<b>2,759,889</b>	<b>305,877</b>	<b>6,905,771</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 3,156,917</b>	<b>\$ 379,778</b>	<b>\$ 8,681,466</b>

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

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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)	\$ 2,591,374	\$ 2,498,527	\$ (92,847)			
State assistance	9,845,170	8,164,518	(1,680,652)	\$ 5,523	\$ 5,705	\$ 182
Federal assistance	5,000	10,059	5,059	2,057,155	1,620,530	(436,625)
Activity revenues	276,365	266,426	(9,939)			
Meal sales				100,489	70,840	(29,649)
Investment income	17,000	18,096	1,096			
Other revenues	422,459	498,236	75,777		10,708	10,708
<b>TOTAL REVENUES</b>	<b>13,157,368</b>	<b>11,455,862</b>	<b>(1,701,506)</b>	<b>2,163,167</b>	<b>1,707,783</b>	<b>(455,384)</b>
<b>EXPENDITURES</b>						
Regular programs	4,236,417	4,132,845	103,572	70,791	51,631	19,160
Special education	306,067	307,813	(1,746)	347,684	158,357	189,327
Career education programs	184,929	179,088	5,841			
Compensatory education programs	642,195	476,726	165,469	428,229	382,857	45,372
Other instructional programs	228,356	260,618	(32,262)			
Student support services	474,050	433,231	40,819	202,874	129,062	73,812
Instructional staff support services	838,092	704,110	133,982	149,261	84,463	64,798
General administration support services	300,651	252,294	48,357	25,581	24,287	1,294
School administration support services	417,225	417,943	(718)			
Central services support services	317,036	305,396	11,640	2,000		2,000
Operation and maintenance of plant services	1,861,053	1,336,971	524,082			
Student transportation services	717,698	570,542	147,156	25,400	18,788	6,612
Other support services	9,665	9,617	48			
Food services operations				778,215	773,776	4,439
Community services operations				8,000	7,679	321
Facilities acquisition and construction services	25,000		25,000			
Non-programmed costs				16,884	2,982	13,902
Activity expenditures	294,720	252,037	42,683			
Debt Service:						
Principal retirement	17,068	33,170	(16,102)			
Interest and fiscal charges	32,508	15,405	17,103			
<b>TOTAL EXPENDITURES</b>	<b>10,902,730</b>	<b>9,687,806</b>	<b>1,214,924</b>	<b>2,054,919</b>	<b>1,633,882</b>	<b>421,037</b>

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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	\$ 2,254,638	\$ 1,768,056	\$ (486,582)	\$ 108,248	\$ 73,901	\$ (34,347)
OTHER FINANCING SOURCES (USES)						
Transfers in	12,465,292		(12,465,292)	71,331		(71,331)
Transfers out	(13,017,480)	(3,154,061)	9,863,419	(71,331)		71,331
Sale of capital assets		1,783,033	1,783,033			
TOTAL OTHER FINANCING SOURCES (USES)	(552,188)	(1,371,028)	(818,840)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,702,450	397,028	(1,305,422)	108,248	73,901	(34,347)
FUND BALANCES - JULY 1	3,085,103	2,759,889	(325,214)	292,336	305,877	13,541
FUND BALANCES - JUNE 30	<u>\$ 4,787,553</u>	<u>\$ 3,156,917</u>	<u>\$ (1,630,636)</u>	<u>\$ 400,584</u>	<u>\$ 379,778</u>	<u>\$ (20,806)</u>

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

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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 South Mississippi County School District (District). There are no component units.

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund types include the following:

Agency Funds – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

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.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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 accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20
Buildings	20-50
Equipment	5-25

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.

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

G. Fund Balance Classifications

1. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

G. Fund Balance Classifications (Continued)

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.

H. Budget and Budgetary Accounting

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

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

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

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

The 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.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

L. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 289,438	\$ 289,461
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	11,299,881	11,237,041
Uninsured and uncollateralized	6,384	
Total Deposits	\$ 11,595,703	\$ 11,526,502

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$406,874 at June 30, 2013 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	Special Revenue	Other Aggregate	
State assistance		\$ 195,324	\$ 195,324
Federal assistance	\$ 211,550		211,550
Totals	\$ 211,550	\$ 195,324	\$ 406,874

**4: COMMITMENTS**

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

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
New elementary school	August 1, 2014	\$ 11,932,606
Wiring for new elementary school	August 1, 2014	421,799

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**4: 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
6/1/05	6/1/15		\$ 330,413	\$ 330,413	
9/1/05	2/1/25	2.95 - 4%	520,000	350,000	\$ 170,000
12/1/06	2/1/22	3.7 - 3.9%	530,000	350,000	180,000
5/5/10	5/5/20	4.9%	159,750	119,651	40,099
4/1/11	2/1/34	1 - 4.25%	5,410,000	5,310,000	100,000
2/23/12	2/23/22	4%	230,370	211,218	19,152
6/1/12	2/1/43	1.625 - 4%	6,600,000	6,600,000	
Totals			<u>\$ 13,780,533</u>	<u>\$ 13,271,282</u>	<u>\$ 509,251</u>

Changes in Long-term Debt

	Balance July 1, 2012	Issued	Retired	Balance June 30, 2013
Bonds payable	\$ 12,765,000		\$ 155,000	\$ 12,610,000
Postdated warrants	330,413			330,413
Capital leases	364,039		33,170	330,869
Totals	<u>\$ 13,459,452</u>	<u>\$ 0</u>	<u>\$ 188,170</u>	<u>\$ 13,271,282</u>

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 294,639	\$ 457,383	\$ 752,022
2015	636,587	449,792	1,086,379
2016	312,778	441,865	754,643
2017	319,453	433,736	753,189
2018	331,203	425,439	756,642
2019-2023	1,706,622	1,975,078	3,681,700
2024-2028	1,825,000	1,696,961	3,521,961
2029-2033	2,170,000	1,344,861	3,514,861
2034-2038	2,600,000	906,050	3,506,050
2039-2043	3,075,000	376,281	3,451,281
Totals	<u>\$ 13,271,282</u>	<u>\$ 8,507,446</u>	<u>\$ 21,778,728</u>

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**4: COMMITMENTS (Continued)**

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

Capital Lease

The District has executed the following capital lease:

Class of Property	Asset Balance June 30, 2013
Buses	<u>\$ 390,120</u>
	June 30, 2013
Total Minimum Lease Payments	\$ 396,384
Less: Amount Representing Interest	<u>65,515</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 330,869</u>

Qualified Zone Academy Bond (QZAB)

On June 1, 2005, the District obtained funding of \$330,413 through the Qualified Zone Academy Bond (QZAB) program, a debt financial arrangement authorized under the Taxpayer Relief Act of 1997. The District will deposit \$31,135 annually into a sinking fund for 10 years for a total of \$311,350. This amount plus interest earned will be used to retire the debt when due.

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities balance of \$43,647 at June 30, 2013 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Vendor payables	\$ 40,481	\$ 1,797	\$ 42,278
Payroll withholdings and matching	<u>1,369</u>	<u>          </u>	<u>1,369</u>
Totals	<u>\$ 41,850</u>	<u>\$ 1,797</u>	<u>\$ 43,647</u>

**6: INTERFUND TRANSFERS**

The District transferred \$3,154,061 from the general fund to the other aggregate funds for debt related payments of \$553,841, debt refunding savings of \$90,340 required to be utilized for capital expenditures, and \$2,509,880 for future capital projects.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**7: 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 \$889,554, \$916,719, and \$921,423, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

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

Funding Policy. APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the years ended June 30, 2013, 2012, and 2011 were \$1,992, \$1,920, and \$1,883, respectively, equal to the required contributions for each year.

**8: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$13,060,000 issued from September 1, 2005 to June 1, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$21,051,931, payable through February 1, 2043. Principal and interest paid for the current year and total property taxes pledged for debt service were \$521,053 and \$869,585, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 59.92 percent.

**9: RISK MANAGEMENT**

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

The District carries commercial insurance for board liability, student accident, and catastrophic crop loss coverage. 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.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**9: 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, vehicles, and builders' risk.

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.

**10: 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 \$147,165 for the year ended June 30, 2013.

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

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Fund Balances:				
Restricted for:				
Educational programs - national school lunch state categorical funding	\$ 259,154			\$ 259,154
English-language learners	6,182			6,182
Professional development	55,160			55,160
Capital projects			\$5,440,419	5,440,419
Child nutrition programs		\$ 324,349		324,349
Debt service			260,826	260,826
Medical services		51,296		51,296
Juvenile instruction	70,355			70,355
Other purposes	26,921	4,133		31,054
<b>Total Restricted</b>	<b>417,772</b>	<b>379,778</b>	<b>5,701,245</b>	<b>6,498,795</b>
Assigned to:				
Capital projects			2,980,221	2,980,221
Student activities	73,103			73,103
<b>Total Assigned</b>	<b>73,103</b>		<b>2,980,221</b>	<b>3,053,324</b>
Unassigned	2,666,042			2,666,042
<b>Totals</b>	<b>\$3,156,917</b>	<b>\$ 379,778</b>	<b>\$8,681,466</b>	<b>\$12,218,161</b>

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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	\$ 3,417,038
Construction in progress	3,589,698
Total nondepreciable capital assets	7,006,736
 <i>Depreciable capital assets:</i>	
Buildings	10,970,458
Improvements/infrastructure	704,155
Equipment	3,046,603
Total depreciable capital assets	14,721,216
 Less accumulated depreciation for:	
Buildings	4,508,583
Improvements/infrastructure	284,665
Equipment	1,988,969
Total accumulated depreciation	6,782,217
Total depreciable capital assets, net	7,938,999
Capital assets, net	\$ 14,945,735

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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		\$ 1,500
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	47-06-000	196,571
National School Lunch Program - Cash Assistance	10.555	47-06-000	463,358
Total State Department of Education			<u>659,929</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	4706000	49,845
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>711,274</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	Unavailable	88,082
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC (Note 5)	12.AE13001		49,855
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	47-06	440,849
Special Education - Grants to States	84.027	4706	251,806
Rural Education	84.358	4706	28,000
Improving Teacher Quality State Grants	84.367	4706	59,366
Total U. S. Department of Education			<u>780,021</u>
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Temporary Assistance for Needy Families	93.558	0000200604	10,059
<b>TOTAL OTHER PROGRAMS</b>			<u>928,017</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,639,291</u>

The accompanying notes are an integral part of this schedule.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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 South Mississippi County School District No. 57 (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 \$6,725 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above schedule.



SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESS**

2013-001. Internal Control

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

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, the same employee was responsible for receiving and depositing monies collected, preparation of payroll and non-payroll checks, maintenance of accounting records, and preparation of bank reconciliations, without compensating controls.

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

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

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

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

Views of responsible officials and planned corrective actions: We concur with the recommendation and will implement corrective procedures to the extent possible.

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

No matters were reported.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI 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.

SOUTH MISSISSIPPI COUNTY SCHOOL DISTRICT NO. 57  
MISSISSIPPI COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2013  
(Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2013	2012	2011	2010	2009
Total Assets	\$ 3,198,767	\$ 3,236,304	\$ 2,708,446	\$ 2,581,735	\$ 1,825,654
Total Liabilities	41,850	476,415	90,516	250,647	48,307
Total Fund Balances	3,156,917	2,759,889	2,617,930	2,331,088	1,777,347
Total Revenues	11,455,862	10,927,449	10,144,837	10,492,770	10,461,532
Total Expenditures	9,687,806	10,593,323	9,394,845	9,560,570	9,619,907
Total Other Financing Sources (Uses)	(1,371,028)	(192,167)	(475,246)	(378,459)	223,932
<b>Special Revenue Fund</b>					
Total Assets	381,575	314,502	175,644	293,708	328,222
Total Liabilities	1,797	8,625	7,986	17,676	13,530
Total Fund Balances	379,778	305,877	167,658	276,032	314,692
Total Revenues	1,707,783	2,225,185	2,725,341	2,479,336	2,057,413
Total Expenditures	1,633,882	2,086,966	2,810,803	2,566,752	2,207,762
Total Other Financing Sources (Uses)			(22,912)	48,756	34
<b>Other Aggregate Funds</b>					
Total Assets	8,681,466	6,905,771	303,660	207,026	154,755
Total Liabilities			108,766	19,469	
Total Fund Balances	8,681,466	6,905,771	194,894	187,557	154,755
Total Revenues	2,684,307	1,000,926	112,713	48,881	27,139
Total Expenditures	4,062,673	1,217,444	592,709	505,532	459,269
Total Other Financing Sources (Uses)	3,154,061	6,927,395	487,333	489,453	(223,966)