

**Osceola School District No. 1**

**Mississippi County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2013**



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MISSISSIPPI COUNTY, ARKANSAS  
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JUNE 30, 2013

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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

Osceola School District No. 1 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 Osceola School District No. 1 (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 23, 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 23, 2014  
EDSD25513

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

Osceola School District No. 1 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 Osceola School District No. 1 (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 23, 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.

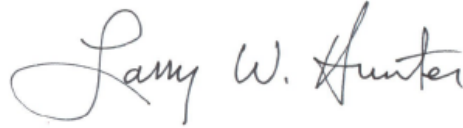
#### **Compliance and Other Matters**

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 23, 2014

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

Osceola School District No. 1 and School Board Members  
Legislative Joint Auditing Committee

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

We have audited the Osceola School District No. 1 (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**

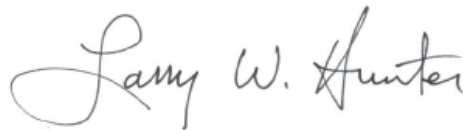
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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 black ink that reads "Larry W. Hunter". The signature is written in a cursive style with a large, looping initial "L".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 23, 2014



OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2013

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Fiduciary Fund Types
<b>ASSETS</b>			
Cash	\$ 3,462,074		\$ 25,670
Accounts receivable	27,566	\$ 723,433	
Due from other funds	542,901		
	<b>\$ 4,032,541</b>	<b>\$ 723,433</b>	<b>\$ 25,670</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 71,085	\$ 107,563	
Due student groups			\$ 25,670
Due to other funds		542,901	
Total Liabilities	71,085	650,464	25,670
Fund Balances:			
Restricted	560,036	72,969	
Assigned	17,191		
Unassigned	3,384,229		
Total Fund Balances	3,961,456	72,969	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,032,541</b>	<b>\$ 723,433</b>	<b>\$ 25,670</b>

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

OSCEOLA SCHOOL DISTRICT NO. 1  
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)	\$ 3,443,620		
State assistance	7,900,313	\$ 5,782	\$ 690,865
Federal assistance	14,370	4,742,618	
Activity revenues	71,618		
Meal sales		108,843	
Investment income	1,409		
Other revenues	149,209	8,300	
<b>TOTAL REVENUES</b>	<b>11,580,539</b>	<b>4,865,543</b>	<b>690,865</b>
<b>EXPENDITURES</b>			
Regular programs	4,001,863	62,645	57,765
Special education	937,355	249,916	
Career education programs	284,389		
Compensatory education programs	269,264	801,622	
Other instructional programs	423,570	68,463	
Student support services	532,882	117,342	
Instructional staff support services	830,849	2,475,764	
General administration support services	494,716	139,621	
School administration support services	461,131		
Central services support services	73,932		
Operation and maintenance of plant services	1,883,504	116,348	23,470
Student transportation services	488,502	17,432	
Other support services	30,018		
Food services operations	96,434	1,014,285	
Facilities acquisition and construction services			940,096
Non-programmed costs		37,475	
Activity expenditures	74,499		
Debt Service:			
Principal retirement			165,000
Interest and fiscal charges			309,938
<b>TOTAL EXPENDITURES</b>	<b>10,882,908</b>	<b>5,100,913</b>	<b>1,496,269</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>697,631</b>	<b>(235,370)</b>	<b>(805,404)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		80,000	453,938
Transfers out	(533,938)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(533,938)</b>	<b>80,000</b>	<b>453,938</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>163,693</b>	<b>(155,370)</b>	<b>(351,466)</b>
<b>FUND BALANCES - JULY 1</b>	<b>3,797,763</b>	<b>228,339</b>	<b>351,466</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 3,961,456</b>	<b>\$ 72,969</b>	<b>\$ 0</b>

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

OSCEOLA SCHOOL DISTRICT NO. 1  
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)	\$ 3,548,738	\$ 3,443,620	\$ (105,118)			
State assistance	7,591,481	7,900,313	308,832	\$ 10,000	\$ 5,782	\$ (4,218)
Federal assistance		14,370	14,370	5,118,116	4,742,618	(375,498)
Activity revenues		71,618	71,618			
Meal sales				135,000	108,843	(26,157)
Investment income	10,000	1,409	(8,591)			
Other revenues	167,420	149,209	(18,211)		8,300	8,300
<b>TOTAL REVENUES</b>	<b>11,317,639</b>	<b>11,580,539</b>	<b>262,900</b>	<b>5,263,116</b>	<b>4,865,543</b>	<b>(397,573)</b>
<b>EXPENDITURES</b>						
Regular programs	4,228,888	4,001,863	227,025	151,814	62,645	89,169
Special education	543,430	937,355	(393,925)	271,458	249,916	21,542
Career education programs	309,395	284,389	25,006			
Compensatory education programs	318,971	269,264	49,707	1,135,805	801,622	334,183
Other instructional programs	544,277	423,570	120,707	68,099	68,463	(364)
Student support services	587,022	532,882	54,140	130,832	117,342	13,490
Instructional staff support services	1,155,907	830,849	325,058	2,477,501	2,475,764	1,737
General administration support services	476,694	494,716	(18,022)	192,456	139,621	52,835
School administration support services	537,866	461,131	76,735			
Central services support services	107,857	73,932	33,925			
Operation and maintenance of plant services	1,720,664	1,883,504	(162,840)	112,000	116,348	(4,348)
Student transportation services	593,833	488,502	105,331	30,500	17,432	13,068
Other support services	22,000	30,018	(8,018)	4,500		4,500
Food services operations	128,300	96,434	31,866	1,006,455	1,014,285	(7,830)
Community services operations				6,000		6,000
Non-programmed costs				50,000	37,475	12,525
Activity expenditures		74,499	(74,499)			
<b>TOTAL EXPENDITURES</b>	<b>11,275,104</b>	<b>10,882,908</b>	<b>392,196</b>	<b>5,637,420</b>	<b>5,100,913</b>	<b>536,507</b>

OSCEOLA SCHOOL DISTRICT NO. 1  
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	\$ 42,535	\$ 697,631	\$ 655,096	\$ (374,304)	\$ (235,370)	\$ 138,934
OTHER FINANCING SOURCES (USES)						
Transfers in	13,290,565		(13,290,565)	80,000	80,000	
Transfers out	(13,666,543)	(533,938)	13,132,605			
TOTAL OTHER FINANCING SOURCES (USES)	(375,978)	(533,938)	(157,960)	80,000	80,000	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(333,443)	163,693	497,136	(294,304)	(155,370)	138,934
FUND BALANCES - JULY 1	3,892,262	3,797,763	(94,499)	298,868	228,339	(70,529)
FUND BALANCES - JUNE 30	\$ 3,558,819	\$ 3,961,456	\$ 402,637	\$ 4,564	\$ 72,969	\$ 68,405

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

OSCEOLA SCHOOL DISTRICT NO. 1  
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 Osceola 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.

OSCEOLA SCHOOL DISTRICT NO. 1  
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	19-49
Buildings	49-66
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. Interfund Receivables and Payables

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

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

H. Fund Balance Classifications

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

I. Budget and Budgetary Accounting

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

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

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

J. Stabilization Arrangements

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

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.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

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

L. Fund Balance Classification Policies and Procedures (Continued)

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

M. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,987,744	4,021,300
Total Deposits	\$ 3,487,744	\$ 4,521,300

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$750,999 at June 30, 2013 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
State assistance	\$ 4,440		\$ 4,440
Federal assistance		\$ 723,433	723,433
Other	23,126		23,126
Totals	\$ 27,566	\$ 723,433	\$ 750,999



OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**4: COMMITMENTS**

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

A. Operating Leases (noncapital leases with initial noncancellable lease terms in excess of one year)

General description of leases and leasing arrangements:

On December 30, 2009, the District executed an operating lease for 15 copiers. The agreement stipulates monthly payments of \$6,213 for a period of 60 months. On April 1, 2012, rates increased for these 15 copiers to \$6,842 per month, and on April 1, 2013, rates increased again for these 15 copiers to \$7,209 per month. On November 4, 2011, a supplement to the agreement was entered for one additional copier at \$381 per month.

1. Future minimum rental payments (aggregate) at June 30, 2013: \$144,210.

2. If applicable, the basis on which contingent rental payments is determined:

The District is assessed \$.007 per page for all black/white copies exceeding 1,050,000 per quarter and \$.065 per page for all color copies exceeding 12,000 per quarter.

3. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2014	\$ 91,080
2015	<u>53,130</u>
Total	<u>\$ 144,210</u>

Rental payments for the operating leases described above were approximately \$86,676 for the year ended June 30, 2013.

B. Long-term Debt Issued and Outstanding

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2013</u>	<u>Maturities To June 30, 2013</u>
4/1/10	11/1/28	2 - 3.85%	\$ 2,455,000	\$ 2,200,000	\$ 255,000
10/1/10	11/1/34	1.1 - 4%	1,915,000	1,860,000	55,000
2/1/12	11/1/34	.9 - 3.25%	2,110,000	2,110,000	
4/1/12	11/1/37	1.125 - 3.375%	<u>4,210,000</u>	<u>4,210,000</u>	
Totals			<u>\$ 10,690,000</u>	<u>\$ 10,380,000</u>	<u>\$ 310,000</u>

Changes in Long-term Debt

	<u>Balance July 1, 2012</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2013</u>
Bonds payable	<u>\$ 10,545,000</u>	<u>\$ 0</u>	<u>\$ 165,000</u>	<u>\$ 10,380,000</u>

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**4: COMMITMENTS (Continued)**

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

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

Year Ended June 30,	Principal	Interest	Total
2014	\$ 170,000	\$ 295,555	\$ 465,555
2015	205,000	292,360	497,360
2016	270,000	288,448	558,448
2017	405,000	282,726	687,726
2018	435,000	275,120	710,120
2019-2023	2,285,000	1,224,520	3,509,520
2024-2028	2,620,000	881,521	3,501,521
2029-2033	2,290,000	479,620	2,769,620
2034-2038	1,700,000	121,881	1,821,881
Totals	<u>\$ 10,380,000</u>	<u>\$ 4,141,751</u>	<u>\$ 14,521,751</u>

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities balance of \$178,648 at June 30, 2013 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Vendor payables	\$ 39,218	\$ 107,563	\$ 146,781
Payroll withholdings and matching	<u>31,867</u>		<u>31,867</u>
Totals	<u>\$ 71,085</u>	<u>\$ 107,563</u>	<u>\$ 178,648</u>

**6: INTERFUND TRANSFERS**

The District transferred \$80,000 from the general fund to the special revenue fund to supplement its food services operations. Additionally, the District transferred \$453,938 from the general fund to the other aggregate funds for debt related payments of \$436,456, debt refunding savings of \$2,986 required to be used for capital expenditures, and to supplement capital projects by \$14,496.

**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.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**7: RETIREMENT PLANS (Continued)**

Arkansas Teacher Retirement System (Continued)

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The District's contributions to ATRS for the years ended June 30, 2013, 2012, and 2011 were \$1,066,805, \$1,097,917, and \$1,118,637, 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 \$1,677, \$1,587, and \$1,567, 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 \$10,690,000 issued from April 1, 2010 through April 1, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$14,521,751, payable through November 1, 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$473,039 and \$1,189,942, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 39.75 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, business trip accidental death and dismemberment, and student accident 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.

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.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**9: RISK MANAGEMENT (Continued)**

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.

**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 \$163,887 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	
Fund Balances:			
Restricted for:			
Educational programs - national school lunch state categorical funding	\$ 454,101		\$ 454,101
English-language learners	21,422		21,422
Professional development	13,683		13,683
Child nutrition programs		\$ 57,039	57,039
Medical services		14,533	14,533
Special education programs	10,707		10,707
Other purposes	60,123	1,397	61,520
Total Restricted	<u>560,036</u>	<u>72,969</u>	<u>633,005</u>
Assigned to:			
Student activities	<u>17,191</u>		<u>17,191</u>
Unassigned	<u>3,384,229</u>		<u>3,384,229</u>
Totals	<u>\$3,961,456</u>	<u>\$ 72,969</u>	<u>\$4,034,425</u>

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2013

**12: PRIOR YEAR DEBT REFUNDING**

On April 1, 2012, the District issued \$4,210,000 in refunding bonds to advance refund \$3,725,000 of outstanding bonds dated November 1, 2008. The bonds dated November 1, 2008 will be called on November 1, 2013.

The outstanding principal of the bonds advance refunded was \$3,650,000 at June 30, 2013. U.S. Government securities of \$3,740,624, purchased by the escrow agent, were pledged for the retirement of these bonds.

**13: SUBSEQUENT EVENTS**

- (a) On September 25, 2013, the District entered into a \$6,458,779 contract for energy conservation improvements.
- (b) On October 28, 2013, the District issued construction bonds of \$4,495,000 and \$330,000.

OSCEOLA SCHOOL DISTRICT NO. 1  
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	\$ 359,267
<i>Depreciable capital assets:</i>	
Buildings	25,813,892
Improvements/infrastructure	825,538
Equipment	5,259,068
Total depreciable capital assets	31,898,498
Less accumulated depreciation for:	
Buildings	7,093,119
Improvements/infrastructure	219,682
Equipment	3,721,946
Total accumulated depreciation	11,034,747
Total depreciable capital assets, net	20,863,751
Capital assets, net	\$ 21,223,018

OSCEOLA SCHOOL DISTRICT NO. 1  
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		\$ 3,774
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	47-13-000	247,495
National School Lunch Program - Cash Assistance	10.555	47-13-000	541,556
Total State Department of Education			<u>789,051</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	4713000	39,392
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>832,217</u>
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC (Note 5)	12.AR092013		68,463
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	47-13	1,378,075
Special Education - Grants to States	84.027	47-13	327,452
Charter Schools	84.282	4713	199,989
Rural Education	84.358	4713	24,061
Improving Teacher Quality State Grants	84.367	4713	63,406
ARRA - School Improvement Grants, Recovery Act	84.388	4713000	1,878,395
Total U. S. Department of Education			<u>3,871,378</u>
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Education:			
Temporary Assistance for Needy Families	93.558	0000200479	14,370
<b>TOTAL OTHER PROGRAMS</b>			<u>3,954,211</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 4,786,428</u>

The accompanying notes are an integral part of this schedule.

OSCEOLA SCHOOL DISTRICT NO. 1  
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 Osceola School District No. 1 (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 \$6,981 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above schedule.



OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2013

Schedule 3

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

FINANCIAL STATEMENTS

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?  yes  no

FEDERAL AWARDS

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
84.388	ARRA - School Improvement Grants, Recovery Act

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

\$ 300,000

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

No matters were reported.

OSCEOLA SCHOOL DISTRICT NO. 1  
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.

OSCEOLA SCHOOL DISTRICT NO. 1  
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	\$ 4,032,541	\$ 3,893,436	\$ 3,354,043	\$ 2,587,533	\$ 2,610,394
Total Liabilities	71,085	95,673	389,942	122,690	320,706
Total Fund Balances	3,961,456	3,797,763	2,964,101	2,464,843	2,289,688
Total Revenues	11,580,539	12,505,686	12,351,214	12,477,532	12,198,522
Total Expenditures	10,882,908	10,883,377	11,289,673	11,613,288	12,613,201
Total Other Financing Sources (Uses)	(533,938)	(788,647)	(562,283)	(689,089)	(74,887)
 <b>Special Revenue Fund</b>					
Total Assets	723,433	455,576	461,768	530,723	785,421
Total Liabilities	650,464	227,237	156,165	22,083	10,387
Total Fund Balances	72,969	228,339	305,603	508,640	775,034
Total Revenues	4,865,543	5,078,804	4,618,094	3,073,055	3,063,724
Total Expenditures	5,100,913	5,246,068	4,895,784	3,429,034	3,122,009
Total Other Financing Sources (Uses)	80,000	90,000	75,385	89,585	217,162
 <b>Other Aggregate Funds</b>					
Total Assets		793,265	3,440,071	3,362,276	4,585,453
Total Liabilities		441,799	25,182	50,616	
Total Fund Balances		351,466	3,414,889	3,311,660	4,585,453
Total Revenues	690,865	6,475,101	1,770,887	1,286,833	1,333,147
Total Expenditures	1,496,269	10,249,556	2,140,498	3,155,374	2,400,065
Total Other Financing Sources (Uses)	453,938	711,032	474,242	594,748	4,376,809