

Mountain Home School District No. 9

Baxter County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2022



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BAXTER COUNTY, ARKANSAS
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Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Mountain Home School District No. 9 and School Board Members
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Mountain Home School District No. 9 (the "District"), as of and for the year ended June 30, 2022, 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.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying 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, 2022, 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.

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 section of our report, the accompanying 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, 2022, or the changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 of the financial statements, 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, to meet the requirements of the State of Arkansas. 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements. Such information 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. The 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.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis but does not include the regulatory basis financial statements, supplementary information, and our auditor’s report thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the regulatory basis financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2023 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 solely 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 the effectiveness of the District’s 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.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
March 8, 2023
EDSD01422

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Mountain Home School District No. 9 and School Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Mountain Home School District No. 9 (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 8, 2023. 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 and pervasive. 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, 2022, 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.

Report on 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) as a basis for designing 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 these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Matt Fink". The signature is written in a cursive, slightly slanted style.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 8, 2023

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Mountain Home School District No. 9 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Mountain Home School District's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *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, 2022. 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.

Qualified Opinion on AL 32.009 COVID-19 Emergency Connectivity Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on *AL 32.009 COVID-19 Emergency Connectivity Fund* for the year ended June 30, 2022.

Unmodified Opinion on the Other 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Matter Giving Rise to Qualified Opinion on AL 32.009 COVID-19 Emergency Connectivity Fund

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding AL 32.009 COVID-19 Emergency Connectivity Fund as described in finding number 2022-001 for Special Tests and Provisions.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001, to be a material weakness.

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 audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Matt Fink". The signature is written in a cursive, slightly slanted style.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 8, 2023

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2022

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
ASSETS			
Cash	\$ 7,673,606	\$ 319,282	\$ 6,304,359
Investments	15,000		
Accounts receivable	60,072	479,737	20,280
Deposit with paying agent			638,633
TOTAL ASSETS	\$ 7,748,678	\$ 799,019	\$ 6,963,272
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 135,359	\$ 54,593	\$ 68,846
Fund Balances:			
Restricted	711,970	744,426	638,633
Assigned	345,518		6,255,793
Unassigned	6,555,831		
Total Fund Balances	7,613,319	744,426	6,894,426
TOTAL LIABILITIES AND FUND BALANCES	\$ 7,748,678	\$ 799,019	\$ 6,963,272

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

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 21,039,686		
State assistance	14,582,845	\$ 10,554	\$ 129,254
Federal assistance	410,029	9,450,978	64,962
Activity revenues	530,039		
Meal sales		84,833	
Investment income	155,819		72,752
Other revenues	313,588	25,585	
TOTAL REVENUES	37,032,006	9,571,950	266,968
EXPENDITURES			
Regular programs	12,224,777	1,598,425	
Special education	2,275,889	1,063,620	
Career education programs	1,567,911	60,674	
Compensatory education programs	356,751	835,801	
Other instructional programs	2,640,999	5,952	
Student support services	1,583,835	945,619	
Instructional staff support services	2,022,908	1,219,747	
General administration support services	687,883	226,026	
School administration support services	1,817,620	90,079	
Central services support services	505,866	67,863	
Operation and maintenance of plant services	3,370,681	636,070	200,036
Student transportation services	1,561,569	129,754	
Other support services	109,889		
Food services operations	8,594	2,030,640	
Community services operations	83,920	4,394	
Facilities acquisition and construction services		17,000	788,603
Non-programmed costs		56,791	
Activity expenditures	489,323		
Debt Service:			
Principal retirement			1,750,456
Interest and fiscal charges			1,162,852
TOTAL EXPENDITURES	31,308,415	8,988,455	3,901,947
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,723,591	583,495	(3,634,979)
OTHER FINANCING SOURCES (USES)			
Transfers in			4,996,003
Transfers out	(4,996,003)		
Federal grant revenue passed through from a cooperative		34,612	
TOTAL OTHER FINANCING SOURCES (USES)	(4,996,003)	34,612	4,996,003
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	727,588	618,107	1,361,024
FUND BALANCES - JULY 1	6,885,731	126,319	5,533,402
FUND BALANCES - JUNE 30	\$ 7,613,319	\$ 744,426	\$ 6,894,426

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

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS

Exhibit C

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, 2022

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 21,100,000	\$ 21,039,686	\$ (60,314)			
State assistance	13,865,586	14,582,845	717,259	\$ 11,000	\$ 10,554	\$ (446)
Federal assistance	75,000	410,029	335,029	14,505,485	9,450,978	(5,054,507)
Activity revenues	11,500	530,039	518,539			
Meal sales				121,000	84,833	(36,167)
Investment income	125,000	155,819	30,819			
Other revenues	276,500	313,588	37,088		25,585	25,585
TOTAL REVENUES	35,453,586	37,032,006	1,578,420	14,637,485	9,571,950	(5,065,535)
EXPENDITURES						
Regular programs	12,689,032	12,224,777	464,255	2,832,768	1,598,425	1,234,343
Special education	2,438,402	2,275,889	162,513	1,122,484	1,063,620	58,864
Career education programs	1,563,636	1,567,911	(4,275)	60,674	60,674	
Compensatory education programs	371,327	356,751	14,576	950,469	835,801	114,668
Other instructional programs	3,067,651	2,640,999	426,652	11,490	5,952	5,538
Student support services	1,823,217	1,583,835	239,382	2,361,467	945,619	1,415,848
Instructional staff support services	2,113,281	2,022,908	90,373	1,742,778	1,219,747	523,031
General administration support services	588,528	687,883	(99,355)	630,427	226,026	404,401
School administration support services	1,818,977	1,817,620	1,357	217,015	90,079	126,936
Central services support services	814,605	505,866	308,739	373,226	67,863	305,363
Operation and maintenance of plant services	3,446,219	3,370,681	75,538	849,158	636,070	213,088
Student transportation services	1,824,469	1,561,569	262,900	268,466	129,754	138,712
Other support services	95,000	109,889	(14,889)			
Food services operations		8,594	(8,594)	1,760,371	2,030,640	(270,269)
Community services operations	80,000	83,920	(3,920)	35,675	4,394	31,281
Facilities acquisition and construction services				17,000	17,000	
Non-programmed costs	712		712	157,251	56,791	100,460
Activity expenditures		489,323	(489,323)			
TOTAL EXPENDITURES	32,735,056	31,308,415	1,426,641	13,390,719	8,988,455	4,402,264

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS

Exhibit C

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, 2022

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 2,718,530	\$ 5,723,591	\$ 3,005,061	\$ 1,246,766	\$ 583,495	\$ (663,271)
OTHER FINANCING SOURCES (USES)						
Transfers in	45,351,588		(45,351,588)	67,486		(67,486)
Transfers out	(48,335,265)	(4,996,003)	43,339,262	(67,486)		67,486
Federal grant revenue passed through from a cooperative					34,612	34,612
TOTAL OTHER FINANCING SOURCES (USES)	(2,983,677)	(4,996,003)	(2,012,326)	0	34,612	34,612
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(265,147)	727,588	992,735	1,246,766	618,107	(628,659)
FUND BALANCES - JULY 1	6,984,670	6,885,731	(98,939)	77,693	126,319	48,626
FUND BALANCES - JUNE 30	\$ 6,719,523	\$ 7,613,319	\$ 893,796	\$ 1,324,459	\$ 744,426	\$ (580,033)

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

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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) 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 and other requirements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets, leases, and debt in the financial statements, inclusion of the net pension liability 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.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

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. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. 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 financed purchases are reported as other financing sources. Changes in private-purpose funds will be reflected in the notes to 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 acquisition 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	10-20
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.

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.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.
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.

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. During the year, if the combined fund balances in the General Fund, Special Revenue Fund, and Debt Service Fund fall below balances necessary to cover two months of operations, the Board may authorize a transfer from available funds in the Capital Projects Fund back to the General Fund until the total General Fund balances is restored to adequate minimum levels.

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.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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 expenditures are 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 balances 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.

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)	\$ 487,524	\$ 494,869
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	13,824,723	14,697,674
Total Deposits	\$ 14,312,247	\$ 15,192,543

The above total deposits include certificates of deposit of \$15,000 reported as investments and classified as nonparticipating contracts.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022, were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ 35,666		
Federal assistance		\$ 476,544	\$ 20,280
Meal sales		2,465	
Other	24,406	728	
Totals	\$ 60,072	\$ 479,737	\$ 20,280

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2022:

- A. Lease (lease of nonfinancial assets with initial noncancelable lease terms in excess of one year)

General description of lease and leasing arrangements:

On October 21, 2020, the District executed an operating lease for multiple copiers. The agreement stipulated monthly payments of \$5,374 plus tax for a period of 48 months.

1. Future minimum lease payments (aggregate) at June 30, 2022: \$161,218

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

The District is assessed \$0.0035 per black copy and \$0.035 per color copy per the lease agreement.

3. Future minimum lease payments for the succeeding years:

Year Ended June 30,	Amount
2023	\$ 64,487
2024	64,487
2025	32,244
Total	\$ 161,218

Lease payments for the lease described above were approximately \$74,124 for the year ended June 30, 2022.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

4: COMMITMENTS (Continued)

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, 2022</u>	<u>Maturities To June 30, 2022</u>
<u>Bonds</u>					
7/7/11	6/1/27	4.65%	\$ 925,000	\$ 925,000	
9/5/18	12/1/37	3 - 3.5%	37,570,000	34,055,000	\$ 3,515,000
Total Long-Term Debt			<u>\$ 38,495,000</u>	<u>\$ 34,980,000</u>	<u>\$ 3,515,000</u>

Changes in Long-term Debt

	<u>Balance July 1, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2022</u>
Bonds payable	\$ 36,545,000		\$ 1,565,000	\$ 34,980,000
<u>Direct Borrowings</u>				
Postdated warrants	185,456		185,456	
Total Long-Term Debt	<u>\$ 36,730,456</u>	<u>\$ 0</u>	<u>\$ 1,750,456</u>	<u>\$ 34,980,000</u>

Future Principal and Interest Payments

<u>Year Ended June 30,</u>	<u>Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,615,000	\$ 1,103,925	\$ 2,718,925
2024	1,675,000	1,054,575	2,729,575
2025	1,735,000	1,003,425	2,738,425
2026	1,790,000	950,550	2,740,550
2027	2,780,000	895,875	3,675,875
2028-2032	10,295,000	3,373,135	13,668,135
2033-2037	12,330,000	1,574,803	13,904,803
2038	2,760,000	48,300	2,808,300
Totals	<u>\$ 34,980,000</u>	<u>\$ 10,004,588</u>	<u>\$ 44,984,588</u>

Qualified School Construction Bonds

On July 7, 2011, the District obtained funding of \$925,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit specified amounts annually into sinking funds for 16 years. This amount plus interest earned will be used to retire the debt when due.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

4: COMMITMENTS (Continued)

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

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Division of Elementary and Secondary Education (DESE). Depending on the date of the bond issue, DESE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2022, were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 87,688	\$ 54,593	\$ 68,846
Salaries payable	46,636		
Payroll withholdings and matching	1,035		
Totals	\$ 135,359	\$ 54,593	\$ 68,846

6: INTERFUND TRANSFERS

The District transferred \$4,996,003 from the general fund to the other aggregate funds for debt related payments of \$2,723,730 and future capital projects of \$2,272,273. Additionally, the District transferred \$185,456 from the building fund to the debt service fund to repay the Qualified School Construction Bonds dated September 27, 2011. This transfer was eliminated for reporting purposes because these funds are included in the other aggregate funds.

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 employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at www.artrs.gov.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 6.75% 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 14.75% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2022, were \$3,424,502, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2021, (actuarial valuation date and measurement date) was \$18,565,127.

Arkansas Public Employees Retirement System

Plan Description

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

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 year ended June 30, 2022, were \$743, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2021, (actuarial valuation date and measurement date) was \$1,568.

8: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$38,495,000 issued from July 7, 2011 to September 5, 2018. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$44,984,588, payable through December 1, 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$2,716,625 and \$4,494,485, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 60.44 percent.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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 and student accidents.

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.

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 \$300,000 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.

The District participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

Settled claims have not exceeded 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.

10: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$770,409 for the year ended June 30, 2022.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2022

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 203,605		
English-language learners	11,129		
Professional development	194,006		
Child nutrition programs		\$ 556,665	
Debt service			\$ 638,633
Medical services		73,050	
Special education programs	228,842		
Title I programs		58,851	
Education stabilization fund (COVID-19)		8,355	
Other purposes	74,388	47,505	
Total Restricted	<u>711,970</u>	<u>744,426</u>	<u>638,633</u>
Assigned to:			
Capital projects			6,235,240
Debt service			20,553
Student activities	341,163		
Other purposes	4,355		
Total Assigned	<u>345,518</u>		<u>6,255,793</u>
Unassigned	<u>6,555,831</u>		
Totals	<u>\$ 7,613,319</u>	<u>\$ 744,426</u>	<u>\$ 6,894,426</u>

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2022
 (Unaudited)

Schedule 1

	Balance June 30, 2022
Nondepreciable capital assets:	
Land	\$ 1,093,351
Depreciable capital assets:	
Buildings	59,943,954
Improvements/infrastructure	2,785,789
Equipment	9,422,899
Total depreciable capital assets	72,152,642
Less accumulated depreciation for:	
Buildings	23,059,487
Improvements/infrastructure	2,392,923
Equipment	6,861,666
Total accumulated depreciation	32,314,076
Total depreciable capital assets, net	39,838,566
Capital assets, net	\$ 40,931,917

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	0303		\$ 396,059
National School Lunch Program (Note 3)	10.555			49,957
Arkansas Department of Education - National School Lunch Program	10.555	0303		1,386,579
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	0303000		92,431
Total for National School Lunch Program				<u>1,528,967</u>
Total U. S. Department of Agriculture				<u>1,925,026</u>
TOTAL CHILD NUTRITION CLUSTER				<u>1,925,026</u>
 SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	0303		924,548
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education Grants to States	84.027X	0303		105,331
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	0303		38,303
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education - Preschool Grants	84.173X	0303		22,148
Total U. S. Department of Education				<u>1,090,330</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>1,090,330</u>
 OTHER PROGRAMS				
<u>Federal Communications Commission</u>				
Emergency Connectivity Fund Program- COVID-19	32.009			341,259
Total Federal Communications Commission				<u>341,259</u>
 <u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	0303		1,752,544
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	0303		2,475,841
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	0303		12,201
Total Education Stabilization Fund				<u>4,240,586</u>
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	0303		856,396
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048A	0303		59,104
Arkansas Public School Resource Center - Charter Schools	84.282A	0303		96,616
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	0303		141,924
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	0303		67,485
Total U. S. Department of Education				<u>5,462,111</u>

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2022

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
Arkansas Department of Education - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	0303		\$ 10,000
Northcentral Arkansas Education Service Cooperative - COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	n/a		34,612
Arkansas Department of Education - Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions of Schools	93.981	0303		<u>33,597</u>
Total U. S. Department of Health and Human Services				<u>78,209</u>
TOTAL OTHER PROGRAMS				<u>5,881,579</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 8,896,935</u>

The accompanying notes are an integral part of this schedule.

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 award activity of Mountain Home School District No.9 (District) under programs of the federal government for the year ended June 30, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- 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 Arkansas Department of Human Services.
- Note 5: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 6: During the year ended June 30, 2022, the District received Medicaid funding of \$355,476 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2022

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued on whether the financial statements audited were prepared in accordance with:

Generally accepted accounting principles (GAAP) - adverse
 Regulatory basis - unmodified

Internal control over financial reporting:

<input checked="" type="radio"/> Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

FEDERAL AWARDS

Internal control over major federal programs:

<input checked="" type="radio"/> Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported

Type of auditor's report issued on compliance for major federal programs: unmodified for all major programs except COVID-19 Emergency Connectivity Fund , which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
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Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
32.009	COVID-19 - Emergency Connectivity Fund
84.425D, 84.425U, & 84.425W	COVID-19 - Education Stabilization Fund

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

\$ 750,000

Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
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MOUNTAIN HOME SCHOOL DISTRICT NO. 9
BAXTER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

FEDERAL COMMUNICATIONS COMMISSION
COVID-19 EMERGENCY CONNECTIVITY FUND - AL NUMBER 32.009
AUDIT PERIOD - YEAR ENDED JUNE 30, 2022

2022-001 Special Tests and Provisions

Criteria or specific requirement: Office of Management and Budget (OMB) 47 CFR § 54.1710 requires entities requesting funding to certify that they are only seeking support for eligible equipment provided to students and school staff who would otherwise lack connected devices sufficient to engage in remote learning.

Condition: During testing, we identified the District purchased and requested reimbursement totaling \$17,992 from the Emergency Connectivity Fund Program for devices purchased for the sole purpose of anticipated loss or breakage, which did not meet the definition of eligible equipment.

Cause: District's unfamiliarity with the new federal program.

Effect: The District received funding in excess of the unmet need for their students and school staff resulting in unallowable costs of \$17,992 paid from the Emergency Connectivity Fund Program.

Questioned costs: The District was reimbursed for \$17,992 more than eligible.

Context: Of the 1,050 devices purchased, 58 were not eligible to be reimbursed.

Recommendation: The District should contact the Federal Communications Commission for guidance regarding this matter and implement proper controls over program expenditures.

Views of responsible officials: The District will contact the Federal Communications Commission for guidance regarding the reimbursement for the purchase of additional devices for replacement of lost/damaged equipment and will implement proper controls over program expenditures.

Mountain Home Public Schools

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Dr. Jake Long, Superintendent
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Dr. Dana Brown, Asst. Superintendent
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Ms. Allyson Dewey, Asst. Superintendent
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Schedule 4

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

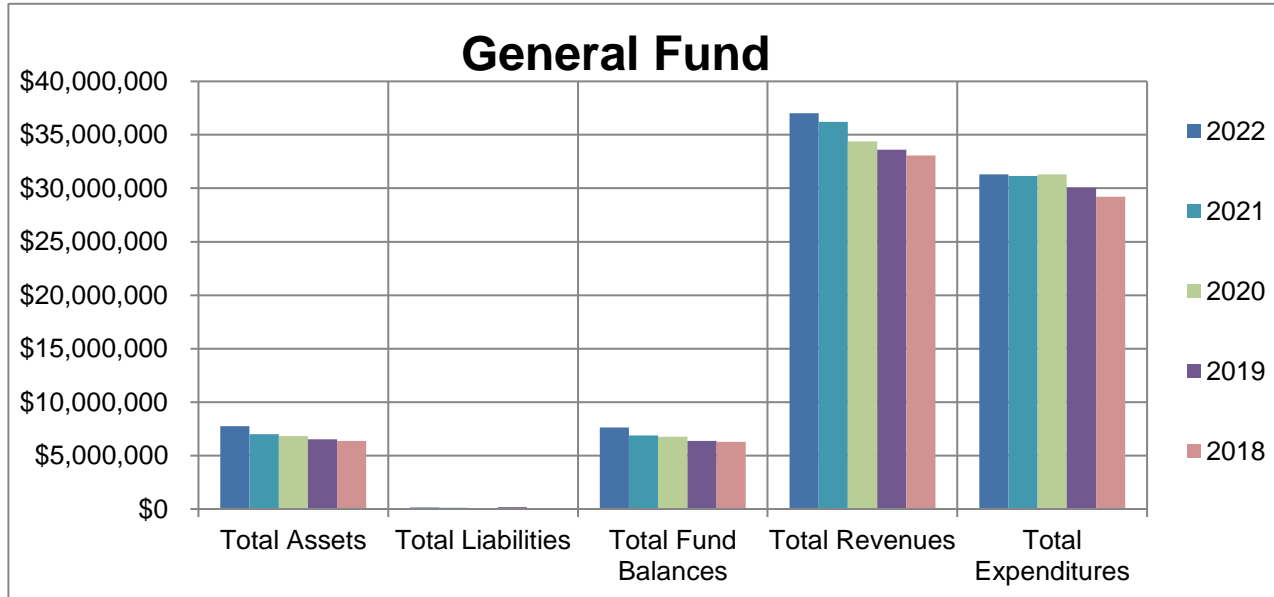
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022
 (Unaudited)

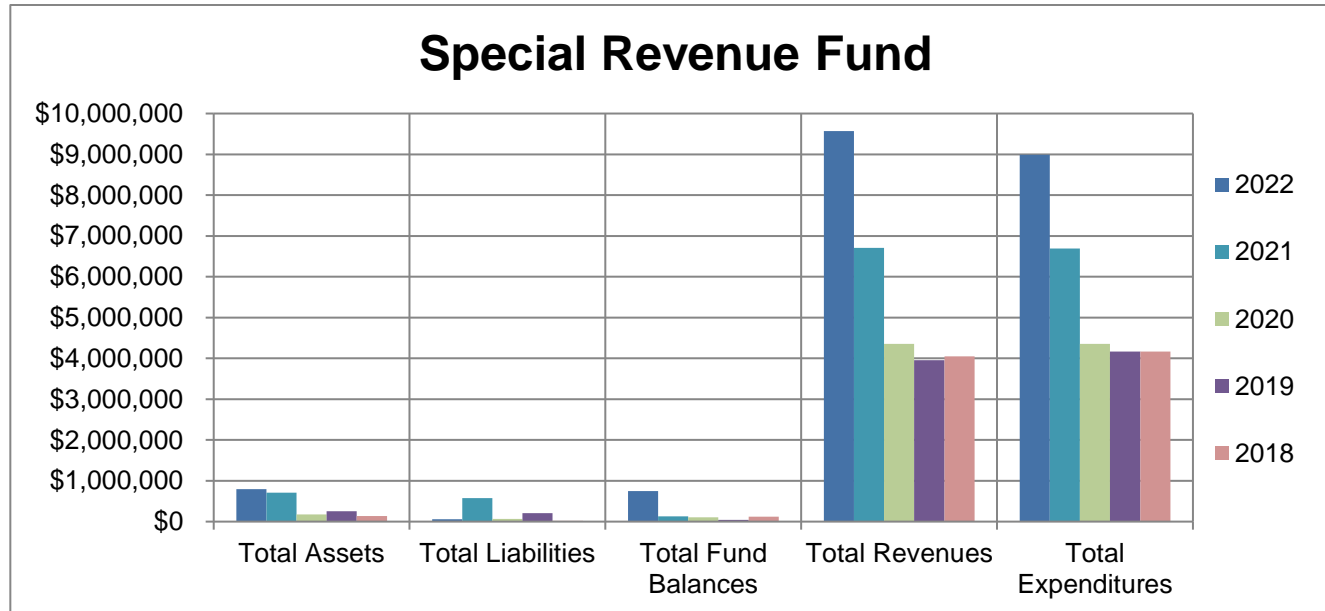
General Fund	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 7,748,678	\$ 6,987,030	\$ 6,829,182	\$ 6,521,871	\$ 6,357,040
Total Liabilities	135,359	101,299	75,537	164,064	66,006
Total Fund Balances	7,613,319	6,885,731	6,753,645	6,357,807	6,291,034
Total Revenues	37,032,006	36,205,224	34,386,536	33,610,199	33,061,222
Total Expenditures	31,308,415	31,140,371	31,311,238	30,029,773	29,214,423
Total Other Financing Sources (Uses)	(4,996,003)	(5,127,292)	(2,679,460)	(3,513,653)	(4,094,831)



MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022
 (Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 799,019	\$ 705,303	\$ 175,098	\$ 254,097	\$ 140,141
Total Liabilities	54,593	578,984	66,490	210,431	18,937
Total Fund Balances	744,426	126,319	108,608	43,666	121,204
Total Revenues	9,571,950	6,709,105	4,357,993	3,956,375	4,047,518
Total Expenditures	8,988,455	6,691,394	4,355,364	4,170,122	4,168,346
Total Other Financing Sources (Uses)	34,612		62,313	136,209	92,474



MOUNTAIN HOME SCHOOL DISTRICT NO. 9
 BAXTER COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2022
 (Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 6,963,272	\$ 5,552,441	\$ 4,663,203	\$ 4,469,160	\$ 2,379,701
Total Liabilities	68,846	19,039			
Total Fund Balances	6,894,426	5,533,402	4,663,203	4,469,160	2,379,701
Total Revenues	266,968	80,719	72,107	75,635	69,119
Total Expenditures	3,901,947	4,337,238	2,494,336	1,679,055	3,143,707
Total Other Financing Sources (Uses)	4,996,003	5,126,718	2,616,272	3,692,879	4,002,357

