

# **Osceola School District No. 1**

**Mississippi County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2012**

LEGISLATIVE JOINT AUDITING COMMITTEE

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MISSISSIPPI COUNTY, ARKANSAS  
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**Sen. Bryan B. King**  
Senate Chair  
**Rep. Kim Hammer**  
House Chair  
**Sen. Linda Chesterfield**  
Senate Vice Chair  
**Rep. John W. Walker**  
House Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE

### DIVISION OF LEGISLATIVE AUDIT

#### INDEPENDENT AUDITOR'S REPORT

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

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, 2012, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of District management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the District has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2012, or the changes in financial position for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 8, 2013 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 (Schedule 2), as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Schedule of Findings and Questioned Costs (Schedule 3), and Federal Award Programs - Summary Schedule of Prior Audit Findings (Schedule 4) are presented for purposes of additional analysis and are 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 (Schedule 2), Schedule of Findings and Questioned Costs (Schedule 3), and Federal Award Programs - Summary Schedule of Prior Audit Findings (Schedule 4) are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole.

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 Capital Assets (Schedule 1) and the Schedule of Selected Information for the Last Five Years - Regulatory Basis (Schedule 5) are presented for the purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information has 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.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas  
February 8, 2013  
EDSD25512

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*

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

We have audited 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, 2012, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated February 8, 2013. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices 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 financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1. 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.

#### Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 financial statements will not be prevented, or detected or corrected on a timely basis.

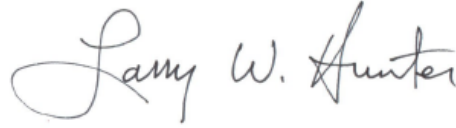
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free of 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*.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

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  
February 8, 2013

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

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

### INDEPENDENT AUDITOR'S REPORT

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

#### Compliance

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, 2012. 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2012.

#### Internal Control Over Compliance

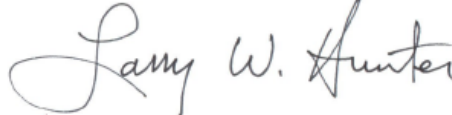
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter". The signature is written in black ink and is positioned centrally below the title "DIVISION OF LEGISLATIVE AUDIT".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 8, 2013



OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2012

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 3,654,963		\$ 542,439	\$ 26,880
Accounts receivable	25,307	\$ 455,576	250,826	166
Due from other funds	213,166			
<b>TOTAL ASSETS</b>	<b>\$ 3,893,436</b>	<b>\$ 455,576</b>	<b>\$ 793,265</b>	<b>\$ 27,046</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 95,673	\$ 14,071	\$ 441,799	
Due student groups				\$ 27,046
Due to other funds		213,166		
<b>Total Liabilities</b>	<b>95,673</b>	<b>227,237</b>	<b>441,799</b>	<b>27,046</b>
Fund Balances:				
Restricted	745,908	228,339	351,466	
Assigned	20,072			
Unassigned	3,031,783			
<b>Total Fund Balances</b>	<b>3,797,763</b>	<b>228,339</b>	<b>351,466</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,893,436</b>	<b>\$ 455,576</b>	<b>\$ 793,265</b>	<b>\$ 27,046</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, 2012

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 3,287,857		
State assistance	9,005,124	\$ 5,821	\$ 4,985,384
Federal assistance		4,870,364	1,482,887
Activity revenues	72,940		
Meal sales		110,380	
Investment income	2,431		6,830
Other revenues	137,334	92,239	
<b>TOTAL REVENUES</b>	<b>12,505,686</b>	<b>5,078,804</b>	<b>6,475,101</b>
<b>EXPENDITURES</b>			
Regular programs	3,847,119	371,614	153,647
Special education	900,224	236,349	2,163
Workforce education programs	352,728	1,259	
Compensatory education programs	166,109	1,316,886	
Other instructional programs	577,454	53,428	
Student support services	641,318	212,445	
Instructional staff support services	1,167,650	1,749,812	29,351
General administration support services	450,425	118,763	
School administration support services	559,344	20,206	
Central services support services	87,296		
Operation and maintenance of plant services	1,510,715	90,176	263,287
Student transportation services	418,540	24,800	86,345
Other support services	18,661		
Food services operations	107,125	1,015,830	
Facilities acquisition and construction services			9,182,716
Non-programmed costs		34,500	
Activity expenditures	78,669		
Debt Service:			
Principal retirement			240,000
Interest and fiscal charges			292,047
<b>TOTAL EXPENDITURES</b>	<b>10,883,377</b>	<b>5,246,068</b>	<b>10,249,556</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>1,622,309</b>	<b>(167,264)</b>	<b>(3,774,455)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		90,000	698,647
Transfers out	(788,647)		
Proceeds from refunding bond issues			6,320,000
Net bond issuance costs			(159,549)
Payments to refunding bond escrow agents			(6,148,066)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(788,647)</b>	<b>90,000</b>	<b>711,032</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>833,662</b>	<b>(77,264)</b>	<b>(3,063,423)</b>
<b>FUND BALANCES - JULY 1</b>	<b>2,964,101</b>	<b>305,603</b>	<b>3,414,889</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 3,797,763</b>	<b>\$ 228,339</b>	<b>\$ 351,466</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, 2012

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 2,537,000	\$ 3,287,857	\$ 750,857			
State assistance	9,457,731	9,005,124	(452,607)	\$ 10,000	\$ 5,821	\$ (4,179)
Federal assistance				5,375,330	4,870,364	(504,966)
Activity revenues		72,940	72,940			
Meal sales				153,764	110,380	(43,384)
Investment income	10,000	2,431	(7,569)			
Other revenues	198,934	137,334	(61,600)		92,239	92,239
<b>TOTAL REVENUES</b>	<b>12,203,665</b>	<b>12,505,686</b>	<b>302,021</b>	<b>5,539,094</b>	<b>5,078,804</b>	<b>(460,290)</b>
<b>EXPENDITURES</b>						
Regular programs	4,721,742	3,847,119	874,623	174,295	371,614	(197,319)
Special education	637,560	900,224	(262,664)	206,640	236,349	(29,709)
Workforce education programs	337,167	352,728	(15,561)		1,259	(1,259)
Compensatory education programs	240,404	166,109	74,295	1,419,716	1,316,886	102,830
Other instructional programs	614,237	577,454	36,783	57,213	53,428	3,785
Student support services	717,036	641,318	75,718	268,951	212,445	56,506
Instructional staff support services	1,207,215	1,167,650	39,565	2,055,919	1,749,812	306,107
General administration support services	511,805	450,425	61,380	141,090	118,763	22,327
School administration support services	596,167	559,344	36,823		20,206	(20,206)
Central services support services	104,215	87,296	16,919			
Operation and maintenance of plant services	1,548,654	1,510,715	37,939	47,000	90,176	(43,176)
Student transportation services	327,597	418,540	(90,943)	24,600	24,800	(200)
Other support services	26,345	18,661	7,684			
Food services operations	111,569	107,125	4,444	1,002,905	1,015,830	(12,925)
Community services operations				5,000		5,000
Non-programmed costs				34,600	34,500	100
Activity expenditures		78,669	(78,669)			
<b>TOTAL EXPENDITURES</b>	<b>11,701,713</b>	<b>10,883,377</b>	<b>818,336</b>	<b>5,437,929</b>	<b>5,246,068</b>	<b>191,861</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, 2012

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 501,952	\$ 1,622,309	\$ 1,120,357	\$ 101,165	\$ (167,264)	\$ (268,429)
OTHER FINANCING SOURCES (USES)						
Transfers in	12,394,145		(12,394,145)	90,000	90,000	
Transfers out	(13,060,868)	(788,647)	12,272,221			
TOTAL OTHER FINANCING SOURCES (USES)	(666,723)	(788,647)	(121,924)	90,000	90,000	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(164,771)	833,662	998,433	191,165	(77,264)	(268,429)
FUND BALANCES - JULY 1	3,131,535	2,964,101	(167,434)	325,280	305,603	(19,677)
FUND BALANCES - JUNE 30	\$ 2,966,764	\$ 3,797,763	\$ 830,999	\$ 516,445	\$ 228,339	\$ (288,106)

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, 2012

**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, 2012

**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:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	20-49
Buildings	49-66
Equipment	5-20

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2011 calendar year taxes collected by June 30, 2012 and 36 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes.

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, 2012

**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.

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.

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.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

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)	\$ 1,389,282	\$ 2,117,769
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,835,000	2,835,000
Total Deposits	\$ 4,224,282	\$ 4,952,769

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$731,875 at June 30, 2012 was comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types	Total
	Major				
	General	Special Revenue	Other Aggregate		
State assistance	\$ 10,407		\$ 250,826		\$ 261,233
Federal assistance		\$ 445,373			445,373
Activity fund accounts				\$ 166	166
Other	14,900	10,203			25,103
Totals	\$ 25,307	\$ 455,576	\$ 250,826	\$ 166	\$ 731,875

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2012:

A. Construction Contract

Project Name	Estimated Completion Date	Contract Balance
Elementary School building	September 30, 2012	\$ 883,109

B. 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. On November 4, 2011, a supplement to the agreement was entered for one additional copier at \$381 per month.



OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**4: COMMITMENTS (Continued)**

B. Operating Leases (Continued)

1. Future minimum rental payments (aggregate) at June 30, 2012: \$223,920
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:

Year Ended June 30,	Amount
2013	\$ 86,676
2014	86,676
2015	50,568
Total	\$ 223,920

Rental payments for the operating leases described above were approximately \$81,665 for the year ended June 30, 2012.

C. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2012	Maturities To June 30, 2012
4/1/10	11/1/28	2 - 3.85%	\$ 2,455,000	\$ 2,310,000	\$ 145,000
10/1/10	11/1/34	1.1 - 4%	1,915,000	1,915,000	
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%	4,210,000	4,210,000	
Totals			\$ 10,690,000	\$ 10,545,000	\$ 145,000

Changes in Long-term Debt

	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
Bonds payable	\$ 10,205,000	\$ 6,320,000	\$ 5,980,000 *	\$ 10,545,000

\*Includes \$5,740,000 early retirement of debt - See Note 6.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**4: COMMITMENTS (Continued)**

C. 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
2013	\$ 165,000	\$ 308,039	\$ 473,039
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
2018-2022	2,240,000	1,278,203	3,518,203
2023-2027	2,545,000	959,212	3,504,212
2028-2032	2,395,000	556,916	2,951,916
2033-2037	1,895,000	184,028	2,079,028
2038	255,000	4,303	259,303
Totals	<u>\$ 10,545,000</u>	<u>\$ 4,449,790</u>	<u>\$ 14,994,790</u>

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities balance of \$551,543 at June 30, 2012 was comprised of the following:

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	\$ 67,453	\$ 14,071	\$ 441,799	\$ 523,323
Payroll withholdings and matching	28,220			28,220
Totals	<u>\$ 95,673</u>	<u>\$ 14,071</u>	<u>\$ 441,799</u>	<u>\$ 551,543</u>

**6: DEBT REFUNDINGS**

On February 1, 2012, the District issued refunding bonds of \$2,110,000 with interest rates of .9 to 3.25 percent to advance refund \$2,015,000 of outstanding bonds dated November 1, 2006 with interest rates of 3.6 to 4.25 percent. Net bond proceeds of \$2,049,431 were remitted to an escrow agent to provide for all future debt service payments for the bonds advance refunded. The 2006 bonds were called on March 23, 2012.

The remaining proceeds of \$4,633 (after payment of \$55,936 net bond issuance costs) will be used for future debt service payments. The issuance of these bonds will result in a savings of \$318,046 over a period of 24 fiscal years.

On April 1, 2012, the District issued refunding bonds of \$4,210,000 with interest rates of 1.125 to 3.375 percent to advance refund \$3,725,000 of outstanding bonds dated November 1, 2008 with interest rates of 4.25 to 5.75 percent. Net bond proceeds of \$4,098,635 were remitted to an escrow agent to provide for all future debt service payments for the bonds advance refunded. The 2008 bonds will be called on November 1, 2013.

The remaining proceeds of \$7,752 (after payment of \$103,613 net bond issuance costs) will be used for future debt service payments. The issuance of these bonds will result in a savings of \$743,743 over a period of 27 fiscal years.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**6: DEBT REFUNDINGS (Continued)**

The outstanding principal of the refunded bonds was \$3,725,000 at June 30, 2012. U.S. Government securities of \$3,997,856, purchased by the escrow agent, were pledged for the retirement of these bonds.

**7: INTERFUND TRANSFERS**

The District transferred \$90,000 from the general fund to the special revenue fund to supplement its food services operations. Additionally, the District transferred \$698,647 from the general fund to the other aggregate funds for debt related payments of \$453,485 and refunding savings of \$245,162 required to be utilized for capital expenditures.

**8: RETIREMENT PLANS**

Arkansas Teacher Retirement System

Plan Description. The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The District's contributions to ATRS for the years ended June 30, 2012, 2011, and 2010 were \$1,097,917, \$1,118,637, and \$1,093,050, 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, 2012, 2011, and 2010 were \$1,587, \$1,567, and \$1,660, respectively, equal to the required contributions for each year.

**9: 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 \$14,994,790, payable through November 1, 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$530,769 and \$1,136,118, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 46.72 percent.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**10: 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.

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.

**11: 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 \$150,287 for the year ended June 30, 2012.

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Fund Balances:				
Restricted for:				
Educational programs - national school lunch state categorical funding	\$ 601,701			\$ 601,701
English-language learners	19,592			19,592
Professional development	13,618			13,618
Capital projects	35,482		\$ 351,466	386,948
Distance learning and telemedicine loans and grants		\$ 119,765		119,765
Child nutrition programs		39,706		39,706
Medical services		58,602		58,602
Special education programs	5,397			5,397
Preschool programs	50,360			50,360
Other purposes	19,758	10,266		30,024
Total Restricted	745,908	228,339	351,466	1,325,713
Assigned to:				
Student activities	20,072			20,072
Unassigned	3,031,783			3,031,783
Totals	\$3,797,763	\$ 228,339	\$ 351,466	\$4,377,568

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012  
(Unaudited)

Schedule 1

	Balance June 30, 2012
<i>Nondepreciable capital assets:</i>	
Land	\$ 359,267
Construction in progress	8,569,795
Total nondepreciable capital assets	8,929,062
 <i>Depreciable capital assets:</i>	
Buildings	15,869,163
Improvements/infrastructure	825,538
Equipment	5,048,885
Total depreciable capital assets	21,743,586
 Less accumulated depreciation for:	
Buildings	6,832,467
Improvements/infrastructure	196,143
Equipment	3,323,737
Total accumulated depreciation	10,352,347
Total depreciable capital assets, net	11,391,239
Capital assets, net	\$ 20,320,301

OSCEOLA SCHOOL DISTRICT NO. 1  
MISSISSIPPI COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555		\$ 2,278
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	47-13-000	235,934
National School Lunch Program - Cash Assistance	10.555	47-13-000	509,567
Total State Department of Education			<u>745,501</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	4713000	46,364
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>794,143</u>
<b>TITLE I, PART A CLUSTER</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	47-13	1,314,504
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	4713000	421,852
<b>TOTAL TITLE I, PART A CLUSTER</b>			<u>1,736,356</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	47-13	281,325
ARRA - Special Education - Grants to States, Recovery Act	84.391	4713000	106,489
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>			<u>387,814</u>
<b>OTHER PROGRAMS</b>			
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC (Note 5)	12.AR092012		53,428
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Safe and Drug-Free Schools and Communities - State Grants	84.186	47-13	12,451
Charter Schools	84.282	4713	152,235
Rural Education	84.358	4713	69,331
Improving Teacher Quality State Grants	84.367	4713	176,638
ARRA - School Improvement Grants, Recovery Act	84.388	4713000	1,344,575
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	4713000	1,216,666
ARRA - Education Jobs Fund, Recovery Act	84.410	4713000	294,628
Total U. S. Department of Education			<u>3,266,524</u>
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Health and Human Services:			
Temporary Assistance for Needy Families	93.558	Unavailable	81,000
<b>TOTAL OTHER PROGRAMS</b>			<u>3,400,952</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 6,319,265</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, 2012

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, 2012. 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, 2012, the District received Medicaid funding of \$39,572 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, 2012

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 - unqualified

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: unqualified

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:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010 and 84.389	Title I, Part A Cluster
84.027 and 84.391	Special Education Cluster (IDEA)
84.388	ARRA - School Improvement Grants, Recovery Act
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State 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, 2012

Schedule 4

U. S. DEPARTMENT OF EDUCATION  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
SPECIAL EDUCATION CLUSTER (IDEA)

2011 - Finding 2011-1: Special Education Cluster (IDEA) - CFDA Numbers 84.027 and 84.391

Condition: The District expended non-ARRA special education funds of \$16,905 from nine function/objects that were not budgeted, and exceeded the 10 percent allowance in another budget cell by \$840. Additionally, ARRA special education funds of \$1,855 were expended from an unbudgeted function/object.

Recommendation: The District should implement procedures to ensure costs are incurred within the applicable budget categories and contact the Arkansas Department of Education for further guidance regarding this matter.

Current Status: Corrective action was taken.

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, 2012  
 (Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2012	2011	2010	2009	2008
Total Assets	\$ 3,893,436	\$ 3,354,043	\$ 2,587,533	\$ 2,610,394	\$ 3,232,655
Total Liabilities	95,673	389,942	122,690	320,706	453,401
Total Fund Balances	3,797,763	2,964,101	2,464,843	2,289,688	2,779,254
Total Revenues	12,505,686	12,351,214	12,477,532	12,198,522	12,627,752
Total Expenditures	10,883,377	11,289,673	11,613,288	12,613,201	13,296,218
Total Other Financing Sources (Uses)	(788,647)	(562,283)	(689,089)	(74,887)	(480,367)
 <b>Special Revenue Fund</b>					
Total Assets	455,576	461,768	530,723	785,421	628,718
Total Liabilities	227,237	156,165	22,083	10,387	12,561
Total Fund Balances	228,339	305,603	508,640	775,034	616,157
Total Revenues	5,078,804	4,618,094	3,073,055	3,063,724	2,761,155
Total Expenditures	5,246,068	4,895,784	3,429,034	3,122,009	3,008,914
Total Other Financing Sources (Uses)	90,000	75,385	89,585	217,162	78,633
 <b>Other Aggregate Funds</b>					
Total Assets	793,265	3,440,071	3,362,276	4,585,453	1,301,205
Total Liabilities	441,799	25,182	50,616		25,643
Total Fund Balances	351,466	3,414,889	3,311,660	4,585,453	1,275,562
Total Revenues	6,475,101	1,770,887	1,286,833	1,333,147	518,911
Total Expenditures	10,249,556	2,140,498	3,155,374	2,400,065	1,581,868
Total Other Financing Sources (Uses)	711,032	474,242	594,748	4,376,809	395,367