

Piggott School District No. 52

Clay County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2009

LEGISLATIVE JOINT AUDITING COMMITTEE



PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
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JUNE 30, 2009

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Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Piggott School District No. 52 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 Piggott School District No. 52 (the "District"), as of and for the year ended June 30, 2009, 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.

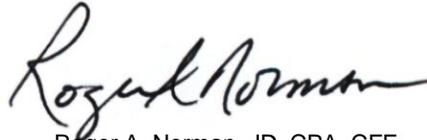
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2009, 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, 2009, and the respective changes in financial position and budgetary results 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 March 4, 2010 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 Capital Assets (Schedule 1), 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), Federal Award Programs – Summary Schedule of Prior Audit Findings (Schedule 4) and Schedule of Selected Information for the Last Five Years – Regulatory Basis (Schedule 5) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. 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) have been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole. The Schedule of Capital Assets (Schedule 1) and the Schedule of Selected Information for the Last Five Years – Regulatory Basis (Schedule 5) have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on them.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being the most prominent.

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

Little Rock, Arkansas
March 4, 2010
EDSD05109

Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-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*

Piggott School District No. 52 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 Piggott School District No. 52 (the "District"), as of and for the year ended June 30, 2009, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 4, 2010. 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, 2009, and the respective changes in financial position and budgetary results 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

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 *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

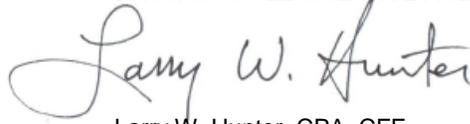
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify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

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 Arkansas Code Annotated § 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 above the printed name and title.

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 4, 2010

Sen. Bobby L. Glover
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Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Piggott School District No. 52 and School Board Members
Legislative Joint Auditing Committee

Compliance

We have audited the compliance of the Piggott School District No. 52 (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009.

Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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.

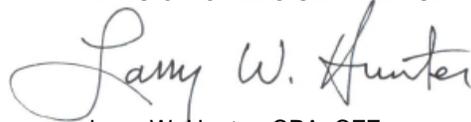
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 Arkansas Code Annotated § 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

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Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
March 4, 2010

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2009

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 770,360	\$ 84,913	\$ 244,099	\$ 38,223
Investments	520,756			
Accounts receivable	7,514	1,316		
Deposit with paying agent			142,437	
TOTAL ASSETS	\$ 1,298,630	\$ 86,229	\$ 386,536	\$ 38,223
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 1,045	\$ 70		\$ 4,050
Due student groups				34,173
Deferred taxes	17,039			
Total Liabilities	18,084	70		38,223
Fund Balances:				
Reserved:				
Debt service			\$ 142,437	
Capital projects			222,437	
Unreserved:				
Designated:				
Debt service			21,662	
Undesignated	1,280,546	86,159		
Total Fund Balances	1,280,546	86,159	386,536	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,298,630	\$ 86,229	\$ 386,536	\$ 38,223

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

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 1,908,633		
State assistance	5,027,935	\$ 3,284	\$ 400,143
Federal assistance		715,843	
Activity revenues	136,805		
Meal sales		166,516	
Investment income	15,196		6,602
Other revenues	21,452	14,479	2,635
TOTAL REVENUES	7,110,021	900,122	409,380
EXPENDITURES			
Regular programs	3,172,332	47,063	
Special education	524,855	152,929	
Workforce education	234,645		
Compensatory education	2,563	149,542	
Other instructional programs	192,473		
Student support services	256,897	5,536	
Instructional staff support services	348,924	30,359	
General administration support services	159,418	14,211	
School administration support services	351,630		
Central services support services	109,049		
Operation and maintenance of plant services	737,497	4,606	
Student transportation services	216,664	293	
Other support services	9,346		
Food services operations		495,098	
Facilities acquisition and construction services			368,478
Activity expenditures	138,463		
Debt Service:			
Principal retirement	17,627		285,000
Interest and fiscal charges	6,964		186,695
TOTAL EXPENDITURES	6,479,347	899,637	840,173
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	630,674	485	(430,793)
OTHER FINANCING SOURCES (USES)			
Transfers in		3,049	488,945
Transfers out	(491,994)		
TOTAL OTHER FINANCING SOURCES (USES)	(491,994)	3,049	488,945
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	138,680	3,534	58,152
FUND BALANCES - JULY 1	1,141,866	82,625	328,384
FUND BALANCES - JUNE 30	\$ 1,280,546	\$ 86,159	\$ 386,536

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

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY 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, 2009

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,877,000	\$ 1,908,633	\$ 31,633			
State assistance	4,989,620	5,027,935	38,315	\$ 3,300	\$ 3,284	\$ (16)
Federal assistance				753,267	715,843	(37,424)
Activity revenues		136,805	136,805			
Meal sales				162,000	166,516	4,516
Investment income	17,700	15,196	(2,504)			
Other revenues	1,600	21,452	19,852		14,479	14,479
TOTAL REVENUES	6,885,920	7,110,021	224,101	918,567	900,122	(18,445)
EXPENDITURES						
Regular programs	3,395,645	3,172,332	223,313	48,168	47,063	1,105
Special education	539,629	524,855	14,774	164,789	152,929	11,860
Workforce education	254,379	234,645	19,734	2,800		2,800
Compensatory education	9,870	2,563	7,307	152,397	149,542	2,855
Other instructional programs	219,277	192,473	26,804			
Student support services	263,122	256,897	6,225	10,500	5,536	4,964
Instructional staff support services	264,514	348,924	(84,410)	44,474	30,359	14,115
General administration support services	170,736	159,418	11,318	15,835	14,211	1,624
School administration support services	369,934	351,630	18,304			
Central services support services	236,125	109,049	127,076			
Operation and maintenance of plant services	909,496	737,497	171,999		4,606	(4,606)
Student transportation services	230,523	216,664	13,859		293	(293)
Other support services	10,000	9,346	654			
Food services operations	6,275		6,275	511,261	495,098	16,163
Community services operations				100		100
Non-programmed costs	24,592		24,592			
Activity expenditures		138,463	(138,463)			
Debt Service:						
Principal retirement		17,627	(17,627)			
Interest and fiscal charges		6,964	(6,964)			
TOTAL EXPENDITURES	6,904,117	6,479,347	424,770	950,324	899,637	50,687

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY 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, 2009

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (18,197)	\$ 630,674	\$ 648,871	\$ (31,757)	\$ 485	\$ 32,242
OTHER FINANCING SOURCES (USES)						
Transfers in	3,621,762		(3,621,762)	3,000	3,049	49
Transfers out	(4,113,936)	(491,994)	3,621,942			
TOTAL OTHER FINANCING SOURCES (USES)	(492,174)	(491,994)	180	3,000	3,049	49
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(510,371)	138,680	649,051	(28,757)	3,534	32,291
FUND BALANCES - JULY 1	1,182,717	1,141,866	(40,851)	82,625	82,625	
FUND BALANCES - JUNE 30	\$ 672,346	\$ 1,280,546	\$ 608,200	\$ 53,868	\$ 86,159	\$ 32,291

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

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five 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 Piggott 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 the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

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 Arkansas Code Annotated § 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.

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District maintains a threshold level of \$1,000 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	15-20
Buildings	20-50
Equipment	5-20

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 10 of the same calendar year. Property taxes are accrued or deferred, as applicable, in accordance with guidelines issued by the Arkansas Department of Education (ADE), which were effective beginning with the fiscal year ended June 30, 2006. Arkansas law defines revenue receipts of a school district and includes 40% of the proceeds of local taxes which are not pledged to secure bonded indebtedness or 40% of the revenue from the uniform rate of tax whichever is greater collected in the succeeding calendar year, commonly known as 40% pullback, within that definition. The ADE has determined that school districts must utilize the 40% pullback amount, as calculated by the ADE and reflected on the respective county's abstract of assessments, in recording property tax revenue as follows:

- If the amount of 40% pullback collected by June 30th is less than the calculated 40% pullback amount, the difference must be accrued;
- If the amount of 40% pullback collected by June 30th is more than the calculated 40% pullback amount, the excess must be recorded as deferred 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. Arkansas Code Annotated § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Fund Balance Designations

1. Reserved fund balance - represents that portion of the fund balance which is not appropriable for expenditure or is legally segregated for a specific future use.
2. Designated fund balance - represents that portion of the fund balance which indicates tentative plans for financial resource utilization in a future period.
3. Undesignated fund balance - indicates that portion of the fund balance not reserved or designated.

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.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budget and Budgetary Accounting (Continued)

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.

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)	\$ 1,387,595	\$ 1,902,477
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	270,756	270,756
Total Deposits	\$ 1,658,351	\$ 2,173,233

The above total deposits include certificates of deposit of \$520,756 reported as investments and classified as nonparticipating contracts.

3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$8,830 at June 30, 2009 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Federal assistance		\$ 1,316	\$ 1,316
Other	\$ 7,514		7,514
Totals	\$ 7,514	\$ 1,316	\$ 8,830

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2009:

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

General description of lease and leasing arrangements:

On September 11, 2007, the District executed an operating lease for two copiers. The agreement stipulated monthly payments of \$553 plus sales tax for 48 months.

1. Future minimum rental payments (aggregate) at June 30, 2009: \$14,936

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

4: COMMITMENTS (Continued)

A. Operating Lease (Continued)

2. Basis on which contingent rental payments are determined, if applicable: The District is assessed \$.0055 per copy for all copies.
3. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2010	\$ 6,638
2011	6,638
2012	<u>1,660</u>
Total	<u>\$ 14,936</u>

Rental payments for the operating lease described above were approximately \$22,913 for the year ended June 30, 2009.

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, 2009</u>	<u>Maturities To June 30, 2009</u>
11/1/01	2/1/21	3.75 - 4.75%	\$ 842,400	\$ 605,000	\$ 237,400
12/13/01	12/13/15		313,908	313,908	
11/1/03	2/1/21	3.25 - 4.2%	4,110,000	3,185,000	925,000
10/3/05	10/3/15	4.25%	197,000	146,246	50,754
10/1/06	2/1/21	3.5 - 4%	<u>950,000</u>	<u>780,000</u>	<u>170,000</u>
Totals			<u>\$ 6,413,308</u>	<u>\$ 5,030,154</u>	<u>\$ 1,383,154</u>

Changes in Long-term Debt

	<u>Balance July 1, 2008</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2009</u>
Bonds payable	\$ 5,168,908		\$ 285,000	\$ 4,883,908
Postdated warrants	<u>163,873</u>		<u>17,627</u>	<u>146,246</u>
Totals	<u>\$ 5,332,781</u>	<u>\$ 0</u>	<u>\$ 302,627</u>	<u>\$ 5,030,154</u>

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

4: COMMITMENTS (Continued)

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

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

Year Ended June 30,	Principal	Interest	Total
2010	\$ 313,376	\$ 181,858	\$ 495,234
2011	324,157	170,786	494,943
2012	334,971	159,330	494,301
2013	355,820	147,489	503,309
2014	371,705	134,474	506,179
2015-2019	2,380,125	450,794	2,830,919
2020-2021	950,000	60,730	1,010,730
Totals	<u>\$ 5,030,154</u>	<u>\$ 1,305,461</u>	<u>\$ 6,335,615</u>

Qualified Zone Academy Bond (QZAB)

On December 13, 2001, the District obtained funding through the Qualified Zone Academy Bond (QZAB) program, a financial arrangement authorized under the Taxpayer Relief Act of 1997. A QZAB does not generally require interest payments from the borrower. The eligible financial institution holding the bond receives a tax credit in lieu of interest payments. The principal is not due until the end of the term. The District borrowed \$313,908 through this program by issuing a commercial bond. The District will deposit \$17,250 annually into a sinking fund for 14 years for a total of \$241,500. This amount plus interest will be used to retire the debt when due.

5: ACCOUNTS PAYABLE

The accounts payable balance of \$5,165 at June 30, 2009 was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	General	Major Special Revenue		
Vendor payables	<u>\$ 1,045</u>	<u>\$ 70</u>	<u>\$ 4,050</u>	<u>\$ 5,165</u>

6: INTERFUND TRANSFERS

The District transferred \$3,049 from the general fund to the special revenue fund to supplement its food services operations. The District also transferred \$488,945 from the general fund to the other aggregate funds for debt related payments.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7: RETIREMENT PLANS

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries, the maximum allowed by State law. The District's contributions to ATRS for the years ended June 30, 2009, 2008, and 2007 were \$614,847, \$633,504, and \$588,897, 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, 2009, 2008, and 2007 were \$935, \$934, and \$897, respectively, equal to the required contributions for each year.

8: 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 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.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

8: RISK MANAGEMENT (Continued)

The District participates in the Arkansas School Boards Association – Workers’ Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers’ compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Unaudited)

Schedule 1

	Balance June 30, 2009
<i>Nondepreciable capital assets:</i>	
Land	\$ 241,970
<i>Depreciable capital assets:</i>	
Buildings	10,136,346
Improvements/infrastructure	244,784
Equipment	1,949,622
Total depreciable capital assets	12,330,752
Less accumulated depreciation for:	
Buildings	3,358,776
Improvements/infrastructure	45,024
Equipment	1,452,583
Total accumulated depreciation	4,856,383
Total depreciable capital assets, net	7,474,369
Capital assets, net	\$ 7,716,339

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 2)	10.555		\$ 1,069
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	11-04-000	74,730
National School Lunch Program - Cash Assistance	10.555	11-04-000	199,819
Total State Department of Education			<u>274,549</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	1104A2009	27,034
TOTAL CHILD NUTRITION CLUSTER			<u>302,652</u>
OTHER PROGRAMS			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Fresh Fruit and Vegetable Program	10.582	11-04-000	31,337
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	11-04	163,752
Special Education - Grants to States	84.027	1104	180,204
Safe and Drug-Free Schools and Communities - State Grants	84.186	11-04	1,634
State Grants for Innovative Programs	84.298	1104	198
Improving Teacher Quality State Grants	84.367	1104	47,063
Total U. S. Department of Education			<u>392,851</u>
<u>U. S. Department of Homeland Security</u>			
Passed Through State Department of Emergency Management:			
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	021-00C94-00	4,899
TOTAL OTHER PROGRAMS			<u>429,087</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 731,739</u>

The accompanying notes are an integral part of this schedule.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Piggott School District No. 52 and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the regulatory basis financial statements.
- Note 2: 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 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 4: During the year ended June 30, 2009, the District received Medicaid funding of \$11,071 from the State Department of Human Services. Such payments are not considered Federal awards expended and therefore are not included in the above schedule.

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2009

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 that are not considered to be material weakness(es)? 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 that are not considered to be material weakness(es)? 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

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 findings noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings and questioned costs noted.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009

Schedule 4

There were no findings in the prior audit.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)

General Fund	Year Ended June 30,				
	2009	2008	2007	2006	2005
Total Assets	\$ 1,298,630	\$ 1,167,565	\$ 1,424,977	\$ 1,524,437	\$ 1,690,497
Total Liabilities	18,084	25,699	66,493	5,353	
Total Fund Balances	1,280,546	1,141,866	1,358,484	1,519,084	1,690,497
Total Revenues	7,110,021	7,197,662	7,051,280	6,746,116	6,528,543
Total Expenditures	6,479,347	6,923,642	6,706,738	6,508,167	5,998,344
Total Other Financing Sources (Uses)	(491,994)	(490,638)	(505,142)	(409,362)	(446,065)
 Special Revenue Fund					
Total Assets	86,229	82,625	62,497	38,626	48,519
Total Liabilities	70				
Total Fund Balances	86,159	82,625	62,497	38,626	48,519
Total Revenues	900,122	836,476	785,805	795,448	743,226
Total Expenditures	899,637	818,465	777,865	805,341	773,907
Total Other Financing Sources (Uses)	3,049	2,117	15,931		34,709
 Other Aggregate Funds					
Total Assets	386,536	328,384	1,098,029	2,524,106	3,013,743
Total Liabilities			165,076		
Total Fund Balances	386,536	328,384	932,953	2,524,106	3,013,743
Total Revenues	409,380	8,391	18,986	67,292	58,939
Total Expenditures	840,173	1,101,484	3,019,870	1,163,291	510,759
Total Other Financing Sources (Uses)	488,945	488,521	1,409,731	606,362	411,356