

Piggott School District No. 52

Clay County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2011



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CLAY COUNTY, ARKANSAS
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Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House 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, 2011, 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, 2011, 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, 2011, 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.

As discussed in Note 1 to the financial statements, the District changed the classifications of its governmental fund balances on July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011 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
November 30, 2011
EDSD05111

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
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*

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, 2011, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated November 30, 2011. 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, 2011, 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.

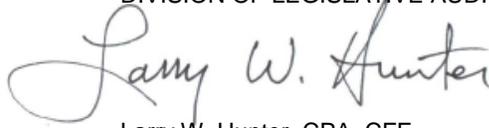
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 30, 2011

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
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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 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

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

Compliance

We have audited the Piggott School District No. 52 (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, 2011. 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.

As described in items 2011-1 and 2011-2 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding the Davis-Bacon Act and procurement and suspension and debarment that are applicable to its ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act program. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2011.

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.

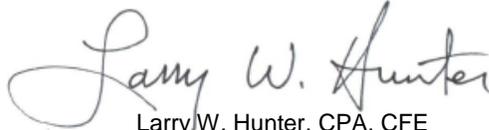
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2011-1 and 2011-2 to be material weaknesses.

The District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
November 30, 2011

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2011

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 554,619	\$ 87,838	\$ 540	\$ 31,271
Investments	531,067			
Accounts receivable		42,603		
Property taxes receivable	28,920			
Deposit with paying agent			192,232	
TOTAL ASSETS	\$ 1,114,606	\$ 130,441	\$ 192,772	\$ 31,271
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 6,583	\$ 3,243		\$ 2,538
Due student groups				28,733
Total Liabilities	6,583	3,243		31,271
Fund Balances:				
Restricted	213,235	127,231	\$ 192,772	
Assigned	58,955			
Unassigned	835,833	(33)		
Total Fund Balances	1,108,023	127,198	192,772	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,114,606	\$ 130,441	\$ 192,772	\$ 31,271

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, 2011

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 1,981,198		
State assistance	5,050,586	\$ 3,376	
Federal assistance		986,597	\$ 184,663
Activity revenues	109,200		
Meal sales		158,256	
Investment income	8,460		8,218
Other revenues	11,949	25,205	
TOTAL REVENUES	7,161,393	1,173,434	192,881
EXPENDITURES			
Regular programs	3,282,834	84,851	
Special education	562,993	191,638	
Workforce education programs	264,301	5,676	
Compensatory education programs	754	204,900	
Other instructional programs	229,746	2,457	
Student support services	284,808	36,360	
Instructional staff support services	380,995	46,953	
General administration support services	159,519	18,933	
School administration support services	355,981	7,645	
Central services support services	112,973		
Operation and maintenance of plant services	841,357	23,400	
Student transportation services	281,704	2,201	
Other support services	22,503		
Food services operations		539,483	
Community services operations		736	
Facilities acquisition and construction services			233,235
Activity expenditures	107,062		
Debt Service:			
Principal retirement	19,157		305,000
Interest and fiscal charges	5,434		166,280
TOTAL EXPENDITURES	6,912,121	1,165,233	704,515
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	249,272	8,201	(511,634)
OTHER FINANCING SOURCES (USES)			
Transfers in		6,652	499,253
Transfers out	(505,905)		
TOTAL OTHER FINANCING SOURCES (USES)	(505,905)	6,652	499,253
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(256,633)	14,853	(12,381)
FUND BALANCES - JULY 1	1,364,656	112,345	205,153
FUND BALANCES - JUNE 30	\$ 1,108,023	\$ 127,198	\$ 192,772

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, 2011

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 2,026,100	\$ 1,981,198	\$ (44,902)			
State assistance	5,054,499	5,050,586	(3,913)	\$ 3,200	\$ 3,376	\$ 176
Federal assistance				1,573,022	986,597	(586,425)
Activity revenues		109,200	109,200			
Meal sales				156,000	158,256	2,256
Investment income	11,400	8,460	(2,940)			
Other revenues	12,500	11,949	(551)		25,205	25,205
TOTAL REVENUES	7,104,499	7,161,393	56,894	1,732,222	1,173,434	(558,788)
EXPENDITURES						
Regular programs	3,506,126	3,282,834	223,292	171,442	84,851	86,591
Special education	568,265	562,993	5,272	319,375	191,638	127,737
Workforce education programs	273,838	264,301	9,537	20,167	5,676	14,491
Compensatory education programs	4,670	754	3,916	276,508	204,900	71,608
Other instructional programs	279,363	229,746	49,617		2,457	(2,457)
Student support services	301,271	284,808	16,463	51,812	36,360	15,452
Instructional staff support services	408,027	380,995	27,032	57,464	46,953	10,511
General administration support services	171,560	159,519	12,041	25,723	18,933	6,790
School administration support services	360,150	355,981	4,169		7,645	(7,645)
Central services support services	121,866	112,973	8,893			
Operation and maintenance of plant services	902,946	841,357	61,589		23,400	(23,400)
Student transportation services	357,012	281,704	75,308		2,201	(2,201)
Other support services	17,500	22,503	(5,003)			
Food services operations				536,919	539,483	(2,564)
Community services operations				2,150	736	1,414
Facilities acquisition and construction services				280,929		280,929
Activity expenditures		107,062	(107,062)			
Debt Service:						
Principal retirement	19,157	19,157				
Interest and fiscal charges	5,435	5,434	1			
TOTAL EXPENDITURES	7,297,186	6,912,121	385,065	1,742,489	1,165,233	577,256

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, 2011

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (192,687)	\$ 249,272	\$ 441,959	\$ (10,267)	\$ 8,201	\$ 18,468
OTHER FINANCING SOURCES (USES)						
Transfers in	3,656,226		(3,656,226)	3,200	6,652	3,452
Transfers out	(4,160,827)	(505,905)	3,654,922			
TOTAL OTHER FINANCING SOURCES (USES)	(504,601)	(505,905)	(1,304)	3,200	6,652	3,452
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(697,288)	(256,633)	440,655	(7,067)	14,853	21,920
FUND BALANCES - JULY 1	1,394,324	1,364,656	(29,668)	112,346	112,345	(1)
FUND BALANCES - JUNE 30	\$ 697,036	\$ 1,108,023	\$ 410,987	\$ 105,279	\$ 127,198	\$ 21,919

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, 2011

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 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.

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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, 2011

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. 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. Ark. Code Ann. § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Fund Balance Classifications

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

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The District's Board of Education has not adopted a formal policy addressing this authorization.

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

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Encumbrances

The District does not utilize encumbrance accounting.

M. Change in Accounting Principle

The District adopted Governmental Accounting Standards Board (GASB) Statement no. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* on July 1, 2010. GASB Statement no. 54 changed the classifications of governmental fund balances from reserved and unreserved to nonspendable, restricted, committed, assigned, and unassigned.

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)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	955,335	1,251,317
Total Deposits	\$ 1,205,335	\$ 1,501,317

The above total deposits include certificates of deposit of \$531,067 reported as investments and classified as nonparticipating contracts.

3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$42,603 at June 30, 2011 was comprised of the following:

Description	Governmental Fund Major Special Revenue
Federal assistance	\$ 42,603

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2011:

- 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, 2011: \$1,660
2. Future minimum rental payments for the succeeding year:

Year Ended June 30,	Amount
2012	\$ <u>1,660</u>

Rental payments for the operating leases described above were approximately \$7,375 for the year ended June 30, 2011.

- B. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2011	Maturities To June 30, 2011
11/1/01	2/1/21	3.75 - 4.75%	\$ 842,400	\$ 525,000	\$ 317,400
12/13/01	12/13/15		313,908	313,908	
11/1/03	2/1/21	3.25 - 4.2%	4,110,000	2,770,000	1,340,000
10/3/05	10/3/15	4.25%	197,000	108,713	88,287
10/1/06	2/1/21	3.5 - 4%	950,000	675,000	275,000
Totals			\$ 6,413,308	\$ 4,392,621	\$ 2,020,687

Changes in Long-term Debt

	Balance July 1, 2010	Issued	Retired	Balance June 30, 2011
Bonds payable	\$ 4,588,908		\$ 305,000	\$ 4,283,908
Postdated warrants	127,870		19,157	108,713
Totals	\$ 4,716,778	\$ 0	\$ 324,157	\$ 4,392,621

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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
2012	\$ 334,971	\$ 159,330	\$ 494,301
2013	355,820	147,489	503,309
2014	371,705	134,474	506,179
2015	392,628	120,866	513,494
2016	717,497	106,220	823,717
2017-2021	<u>2,220,000</u>	<u>284,438</u>	<u>2,504,438</u>
Totals	<u>\$ 4,392,621</u>	<u>\$ 952,817</u>	<u>\$ 5,345,438</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 \$12,364 at June 30, 2011 was comprised of the following:

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	<u>\$ 6,583</u>	<u>\$ 3,243</u>	<u>\$ 2,538</u>	<u>\$ 12,364</u>

6: INTERFUND TRANSFERS

The District transferred \$6,652 from the general fund to the special revenue fund to supplement its food services operations. The District also transferred \$499,253 from the general fund to the other aggregate funds for debt related payments of \$488,530 and to supplement capital expenditures by \$10,723.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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, 2011, 2010, and 2009 were \$687,232, \$651,469, and \$614,847, 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, 2011, 2010, and 2009 were \$979, \$923, and \$935, respectively, equal to the required contributions for each year.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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.

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.

9: 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 \$135,181 for the year ended June 30, 2011.

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2011

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

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Fund Balances:				
Restricted for:				
Alternative learning environment	\$ 37,928			\$ 37,928
Educational programs - national school lunch state categorical funding	158,604			158,604
Capital projects			\$ 540	540
Child nutrition programs		\$ 80,066		80,066
Debt service			192,232	192,232
Medical services		47,164		47,164
Special education programs	4,019			4,019
Other purposes	12,684	1		12,685
Total Restricted	<u>213,235</u>	<u>127,231</u>	<u>192,772</u>	<u>533,238</u>
Assigned to:				
Student activities	<u>58,955</u>			<u>58,955</u>
Unassigned	<u>835,833</u>	<u>(33)</u>		<u>835,800</u>
Totals	<u>\$ 1,108,023</u>	<u>\$ 127,198</u>	<u>\$ 192,772</u>	<u>\$ 1,427,993</u>

11: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$33 in the special revenue fund in the above table pertains to the Rural Education program. The temporary deficit was caused by the recognition of a minor accounts payable at year-end.

PIGGOTT SCHOOL DISTRICT NO. 52
 CLAY COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2011
 (Unaudited)

Schedule 1

	Balance June 30, 2011
<i>Nondepreciable capital assets:</i>	
Land	\$ 241,970
<i>Depreciable capital assets:</i>	
Buildings	10,236,346
Improvements/infrastructure	400,798
Equipment	2,398,389
Total depreciable capital assets	13,035,533
Less accumulated depreciation for:	
Buildings	3,761,492
Improvements/infrastructure	79,981
Equipment	1,723,041
Total accumulated depreciation	5,564,514
Total depreciable capital assets, net	7,471,019
Capital assets, net	\$ 7,712,989

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

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>			
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	11-04-000	\$ 90,758
National School Lunch Program - Cash Assistance	10.555	11-04-000	223,654
Total State Department of Education			314,412
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	1104000	24,641
TOTAL CHILD NUTRITION CLUSTER			339,053
TITLE I, PART A CLUSTER			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	11-04	220,002
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	1104000	8,936
TOTAL TITLE I, PART A CLUSTER			228,938
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	1104	184,179
ARRA - Special Education - Grants to States, Recovery Act	84.391	1104000	26,699
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			210,878
OTHER PROGRAMS			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
Child Nutrition Discretionary Grants Limited Availability	10.579	11-04-000	20,000
Fresh Fruit and Vegetable Program	10.582	11-04-000	28,333
Total U. S. Department of Agriculture			48,333
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Safe and Drug-Free Schools and Communities - State Grants	84.186	11-04	3,594
Rural Education	84.358	1104	8,658
Improving Teacher Quality State Grants	84.367	1104	3,500
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	1104000	199,568
ARRA - Education Jobs Fund, Recovery Act	84.410	1104000	146,630
Total U. S. Department of Education			361,950
TOTAL OTHER PROGRAMS			410,283
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,189,152

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, 2011

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 Piggott School District No. 52 (District) under programs of the federal government for the year ended June 30, 2011. 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 this 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 State Department of Human Services.
- Note 4: During the year ended June 30, 2011, the District received Medicaid funding of \$16,810 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, 2011

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 for all major programs except for the ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act, which was qualified

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
84.394	ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
84.410	ARRA - Education Jobs Fund, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESSES

U. S. DEPARTMENT OF EDUCATION
PASSED THROUGH STATE DEPARTMENT OF EDUCATION
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS,
RECOVERY ACT - CFDA NUMBER 84.394
PASS-THROUGH NUMBER 1104000
AUDIT PERIOD - YEAR ENDED JUNE 30, 2011

2011-1. Davis-Bacon Act

Criteria or specific requirement: The Davis-Bacon Act requires all contractors and subcontractors performing on construction contracts in excess of \$2,000, financed by Federal funds, to pay their laborers and mechanics not less than the prevailing wage rates as determined by the Department of Labor. Non-federal entities are to include in the applicable construction contracts a requirement that the contractor or subcontractor comply with the provisions of the Davis-Bacon Act and the Department of Labor regulations. Such requirements included the submission of weekly certified payrolls, for each week in which any contract work is performed, to the non-federal entities.

Condition: The District did not notify a contractor of the compliance requirements of the Davis-Bacon Act and did not obtain copies of certified payrolls for the purchase and installation of a video surveillance system project of \$84,663 dated July 12, 2010.

Context: During a review conducted by the Office of Intergovernmental Services of the Arkansas Department of Finance and Administration, the District was notified by correspondence dated July 21, 2011 that documentation for the video surveillance system project would need to be obtained or other necessary action taken.

Effect: The District did not comply with the notification requirements regarding compliance with the Davis-Bacon Act and was unable to provide copies of weekly certified payrolls for workers paid on the project. Therefore, the District reclassified these expenditures to the operating fund on September 6, 2011.

Cause: The District's internal control system was not properly designed to detect noncompliance with the Davis-Bacon Act requirements.

Recommendation: The District should ensure that all applicable construction contracts contain the required notification regarding compliance with the Davis-Bacon Act. Copies of the weekly certified payrolls and signed statements of compliance should be obtained for the applicable projects.

Views of responsible officials and planned corrective actions: On September 6, 2011, the District reclassified the \$84,663 to the operating fund. In the future, the District will ensure that all applicable construction contracts contain the required notification regarding compliance with the Davis-Bacon Act. Copies of the weekly certified payrolls and signed statements of compliance will be obtained for the applicable projects.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 3

2011-2. Procurement and Suspension and Debarment

Criteria or specific requirement: The American Recovery and Reinvestment Act (ARRA) of 2009 prohibits the use of ARRA funds for a project for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States. The construction contracts for applicable projects, financed by ARRA funds, are to contain a Buy-American clause.

Condition: The contract, previously identified in finding 2011-1, for the purchase and installation of a video surveillance system did not contain the Buy-American clause.

Context: During a review conducted by the Office of Intergovernmental Services of the Arkansas Department of Finance and Administration, the District was notified by correspondence dated July 21, 2011 that documentation for the video surveillance system project would need to be obtained or other necessary action taken.

Effect: The District did not obtain the required Buy-American clause. Therefore, as previously stated in finding 2011-1, the District reclassified these expenditures to the operating fund on September 6, 2011.

Cause: The District's internal control system was not properly designed to detect noncompliance with the Buy-American provisions.

Recommendation: The District should ensure that all applicable construction contracts contain the Buy-American clause.

Views of responsible officials and planned corrective actions: On September 6, 2011, the District reclassified the \$84,663 to the operating fund. In the future, the District will ensure that all applicable construction contracts contain the Buy-American clause.

PIGGOTT SCHOOL DISTRICT NO. 52
CLAY COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2011

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, 2011
(Unaudited)

General Fund	Year Ended June 30,				
	2011	2010	2009	2008	2007
Total Assets	\$ 1,114,606	\$ 1,377,174	\$ 1,298,630	\$ 1,167,565	\$ 1,424,977
Total Liabilities	6,583	12,518	18,084	25,699	66,493
Total Fund Balances	1,108,023	1,364,656	1,280,546	1,141,866	1,358,484
Total Revenues	7,161,393	7,175,763	7,110,021	7,197,662	7,051,280
Total Expenditures	6,912,121	6,599,674	6,479,347	6,923,642	6,706,738
Total Other Financing Sources (Uses)	(505,905)	(491,979)	(491,994)	(490,638)	(505,142)
 Special Revenue Fund					
Total Assets	130,441	112,345	86,229	82,625	62,497
Total Liabilities	3,243		70		
Total Fund Balances	127,198	112,345	86,159	82,625	62,497
Total Revenues	1,173,434	1,290,238	900,122	836,476	785,805
Total Expenditures	1,165,233	1,266,961	899,637	818,465	777,865
Total Other Financing Sources (Uses)	6,652	2,909	3,049	2,117	15,931
 Other Aggregate Funds					
Total Assets	192,772	205,153	386,536	328,384	1,098,029
Total Liabilities					165,076
Total Fund Balances	192,772	205,153	386,536	328,384	932,953
Total Revenues	192,881	7,078	409,380	8,391	18,986
Total Expenditures	704,515	677,531	840,173	1,101,484	3,019,870
Total Other Financing Sources (Uses)	499,253	489,070	488,945	488,521	1,409,731