

**Bearden School District No. 53**

**Ouachita County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2011**



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OUACHITA 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

Bearden School District No. 53 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 Bearden School District No. 53 (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 February 23, 2012 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 cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas  
February 23, 2012  
EDSD27511

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*

Bearden School District No. 53 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 Bearden School District No. 53 (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 February 23, 2012. 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.

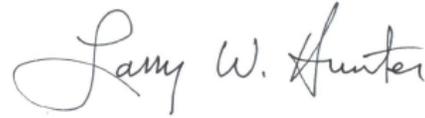
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material 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".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 23, 2012

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

Bearden School District No. 53 and School Board Members  
Legislative Joint Auditing Committee

### Compliance

We have audited the Bearden School District No. 53 (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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1.

### Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

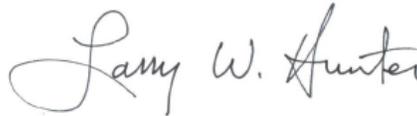
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying Schedule of Findings and Questioned Costs as item 2011-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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 black ink that reads "Larry W. Hunter". The signature is written in a cursive style with a large, prominent "L" and "H".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 23, 2012

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2011

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 1,541,490	\$ 47,326		\$ 32,985
Investments	201,868		\$ 150,397	11,995
Accounts receivable	200	61,818	1,724	
Property taxes receivable	65,001			
Due from other funds	1,724			
	<b>\$ 1,810,283</b>	<b>\$ 109,144</b>	<b>\$ 152,121</b>	<b>\$ 44,980</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 24,777	\$ 36		
Due student groups				\$ 27,489
Due to other funds			\$ 1,724	
Total Liabilities	24,777	36	1,724	27,489
<b>Fund Balances:</b>				
Restricted	217,996	109,108	149,622	17,491
Assigned	31,529		775	
Unassigned	1,535,981			
Total Fund Balances	1,785,506	109,108	150,397	17,491
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,810,283</b>	<b>\$ 109,144</b>	<b>\$ 152,121</b>	<b>\$ 44,980</b>

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

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 1,007,199		
State assistance	3,363,922	\$ 2,138	
Federal assistance		914,690	\$ 232,865
Activity revenues	141,972		
Meal sales		76,161	
Investment income	18,365	317	
Other revenues	90,860	49,225	
<b>TOTAL REVENUES</b>	<b>4,622,318</b>	<b>1,042,531</b>	<b>232,865</b>
<b>EXPENDITURES</b>			
Regular programs	1,935,390	159,266	
Special education	100,771	159,693	
Workforce education programs	115,632		
Compensatory education programs	56,995	210,347	
Other instructional programs	65,983		
Student support services	204,417	65,213	
Instructional staff support services	327,363	123,661	
General administration support services	157,415		
School administration support services	246,335		
Central services support services	109,804	1,534	
Operation and maintenance of plant services	446,107		38,632
Student transportation services	295,362	35,000	
Other support services	7,592		
Food services operations	2,129	301,318	
Other enterprise operations	6,253		
Community services operations		94	
Facilities acquisition and construction services			194,233
Activity expenditures	137,781		
Debt Service:			
Principal retirement	29,011		
Interest and fiscal charges	9,689		73,543
<b>TOTAL EXPENDITURES</b>	<b>4,254,029</b>	<b>1,056,126</b>	<b>306,408</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>368,289</b>	<b>(13,595)</b>	<b>(73,543)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			217,631
Transfers out	(217,631)		
Proceeds from refunding bond issue			2,570,000
Payment to refunding bond escrow agent			(2,511,947)
Net bond issuance costs			(51,744)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(217,631)</b>		<b>223,940</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>150,658</b>	<b>(13,595)</b>	<b>150,397</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,634,848</b>	<b>122,703</b>	
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,785,506</b>	<b>\$ 109,108</b>	<b>\$ 150,397</b>

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

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 957,000	\$ 1,007,199	\$ 50,199			
State assistance	3,293,982	3,363,922	69,940	\$ 2,000	\$ 2,138	\$ 138
Federal assistance				1,245,230	914,690	(330,540)
Activity revenues		141,972	141,972			
Meal sales				68,000	76,161	8,161
Investment income	15,000	18,365	3,365	148	317	169
Other revenues	51,500	90,860	39,360		49,225	49,225
<b>TOTAL REVENUES</b>	<b>4,317,482</b>	<b>4,622,318</b>	<b>304,836</b>	<b>1,315,378</b>	<b>1,042,531</b>	<b>(272,847)</b>
<b>EXPENDITURES</b>						
Regular programs	1,929,895	1,935,390	(5,495)	183,126	159,266	23,860
Special education	100,880	100,771	109	174,412	159,693	14,719
Workforce education programs	114,944	115,632	(688)			
Compensatory education programs	79,999	56,995	23,004	217,923	210,347	7,576
Other instructional programs	85,852	65,983	19,869			
Student support services	213,910	204,417	9,493	81,360	65,213	16,147
Instructional staff support services	350,003	327,363	22,640	124,868	123,661	1,207
General administration support services	174,082	157,415	16,667			
School administration support services	242,910	246,335	(3,425)			
Central services support services	92,870	109,804	(16,934)	2,250	1,534	716
Operation and maintenance of plant services	469,891	446,107	23,784	38,632		38,632
Student transportation services	354,060	295,362	58,698	35,000	35,000	
Other support services	4,000	7,592	(3,592)			
Food services operations		2,129	(2,129)	317,146	301,318	15,828
Other enterprise operations	10,050	6,253	3,797			
Community services operations				2,900	94	2,806
Facilities acquisition and construction services				244,771		244,771
Activity expenditures		137,781	(137,781)			
Debt Service:						
Principal retirement	11,000	29,011	(18,011)			
Interest and fiscal charges	27,700	9,689	18,011			
<b>TOTAL EXPENDITURES</b>	<b>4,262,046</b>	<b>4,254,029</b>	<b>8,017</b>	<b>1,422,388</b>	<b>1,056,126</b>	<b>366,262</b>

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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	\$ 55,436	\$ 368,289	\$ 312,853	\$ (107,010)	\$ (13,595)	\$ 93,415
OTHER FINANCING SOURCES (USES)						
Transfers in	2,306,749		(2,306,749)	8,632		(8,632)
Transfers out	(2,579,894)	(217,631)	2,362,263	(8,632)		8,632
TOTAL OTHER FINANCING SOURCES (USES)	(273,145)	(217,631)	55,514	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(217,709)	150,658	368,367	(107,010)	(13,595)	93,415
FUND BALANCES - JULY 1	1,705,884	1,634,848	(71,036)	122,269	122,703	434
FUND BALANCES - JUNE 30	\$ 1,488,175	\$ 1,785,506	\$ 297,331	\$ 15,259	\$ 109,108	\$ 93,849

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

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

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

Private-purpose Trust Funds – Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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	20
Buildings	50
Equipment	5-20

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA 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 30<sup>th</sup> is less than the calculated 40% pullback amount, the difference must be accrued;
- If the amount of 40% pullback collected by June 30<sup>th</sup> 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. Interfund Receivables and Payables

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

H. Fund Balance Classifications

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

I. Budget and Budgetary Accounting

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

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

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

I. Budget and Budgetary Accounting (Continued)

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis.

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

J. Stabilization Arrangements

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

K. Minimum Fund Balance Policies

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

L. Fund Balance Classification Policies and Procedures

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

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

M. Encumbrances

The District does not utilize encumbrance accounting.

N. 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.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

**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	1,724,066	2,153,583
Total Deposits	\$ 1,974,066	\$ 2,403,583

The above total deposits include certificates of deposit of \$352,265 reported as investments and classified as nonparticipating contracts.

**3: INVESTMENTS**

The District has 636 shares of General Electric Company stock with a fair market value of \$11,995 at June 30, 2011. All investments reported in the District's fiduciary fund types are comprised of the General Electric Company stock.

**4: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$63,742 at June 30, 2011 was comprised of the following:

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
State assistance	\$ 200			\$ 200
Federal assistance		\$ 61,818	\$ 1,724	63,542
Totals	\$ 200	\$ 61,818	\$ 1,724	\$ 63,742

**5: COMMITMENTS**

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

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
9/1/10	2/1/25	0.5 - 2.85%	\$ 2,570,000	\$ 2,570,000	
11/22/05	11/22/15	4.92%	300,000	167,925	\$ 132,075
Totals			\$ 2,870,000	\$ 2,737,925	\$ 132,075

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**5: COMMITMENTS (Continued)**

Long-term Debt Issued and Outstanding (Continued)

Changes in Long-term Debt

	Balance July 1, 2010	Issued	Retired	Balance June 30, 2011
Bonds payable	\$ 2,490,000	\$ 2,570,000	\$ 2,490,000	\$ 2,570,000
Postdated warrants	196,936		29,011	167,925
<b>Totals</b>	<b>\$ 2,686,936</b>	<b>\$ 2,570,000</b>	<b>\$ 2,519,011</b> *	<b>\$ 2,737,925</b>

\*Includes \$2,490,000 early retirement of debt - See Note 7.

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

Year Ended June 30,	Principal	Interest	Total
2012	\$ 95,439	\$ 60,247	\$ 155,686
2013	201,936	58,421	260,357
2014	203,508	55,153	258,661
2015	210,156	51,804	261,960
2016	216,886	47,887	264,773
2017-2021	950,000	180,508	1,130,508
2022-2025	860,000	60,055	920,055
<b>Totals</b>	<b>\$ 2,737,925</b>	<b>\$ 514,075</b>	<b>\$ 3,252,000</b>

**6: ACCOUNTS PAYABLE**

The accounts payable balance of \$24,813 at June 30, 2011 was comprised of the following:

Description	Governmental Funds		Total
	General	Major Special Revenue	
Vendor payables	\$ 24,777	\$ 36	\$ 24,813

**7: DEBT REFUNDINGS**

On September 1, 2010, the District issued \$2,570,000 in refunding bonds with interest rates of 0.5 to 2.85 percent to advance refund \$2,490,000 of outstanding bonds dated November 1, 2003 with interest rates of 3.4 to 4.3 percent. The net proceeds of \$2,511,947, after payment of net bond issuance costs of \$51,744, were remitted to an escrow agent to provide for all future debt service payments on the 2003 bonds. The escrow agent used the proceeds to purchase U.S. Government securities that were placed in an irrevocable trust. The 2003 bonds were called on October 12, 2010. The remaining bond proceeds totaling \$6,309 were applied to subsequent debt payments. The debt refunding will result in a savings for the District of \$289,657 over a period of 15 years. The 2010 bond issue did not extend the debt requirements beyond the original maturity date of fiscal year 2025 for the District.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

**7: DEBT REFUNDINGS (Continued)**

The 2010 refunding bond issue required the annual debt savings to be used solely for new construction, capital repairs, renovation of academic facilities, or the purchase of academic equipment. The debt savings through fiscal year 2025 vary from \$470 to \$149,622, beginning February 1, 2011.

**8: INTERFUND TRANSFERS**

The District transferred \$217,631 from the general fund to the other aggregate funds for debt related payments of \$67,234, bond refunding savings of \$149,622 required to be utilized for capital expenditures, and \$775 to supplement capital expenditures.

**9: RETIREMENT PLAN**

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 \$432,843, \$392,260, and \$385,528, respectively, equal to the required contributions for each year.

**10: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS**

ADDITIONS	
Donations	\$ 3,000
Dividends	318
Change in fair value of stock	<u>2,512</u>
 TOTAL ADDITIONS	 5,830
DEDUCTIONS	
Scholarships	<u>4,250</u>
 CHANGE IN FUND BALANCE	 1,580
 FUND BALANCE - JULY 1	 <u>15,911</u>
 FUND BALANCE - JUNE 30	 <u><u>\$ 17,491</u></u>

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2011

**11: 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 coverage for student accidents and liability insurance for board members, administration, faculty, and staff. 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.

**12: 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 \$64,493 for the year ended June 30, 2011.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2011

13: **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	\$ 9,483			\$ 9,483
Educational programs - national school lunch state categorical funding	186,380			186,380
Professional development	10,438			10,438
Capital projects			\$ 149,622	149,622
Child nutrition programs		\$ 63,759		63,759
Medical services		26,217		26,217
Special education programs	4,445	252		4,697
Other purposes	7,250	18,880		26,130
Total Restricted	<u>217,996</u>	<u>109,108</u>	<u>149,622</u>	<u>476,726</u>
Assigned to:				
Capital projects			775	775
Student activities	27,803			27,803
Other purposes	3,726			3,726
Total Assigned	<u>31,529</u>		<u>775</u>	<u>32,304</u>
Unassigned	<u>1,535,981</u>			<u>1,535,981</u>
Totals	<u>\$ 1,785,506</u>	<u>\$ 109,108</u>	<u>\$ 150,397</u>	<u>\$ 2,045,011</u>

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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	<u>\$ 131,690</u>
<i>Depreciable capital assets:</i>	
Buildings	7,159,252
Improvements/infrastructure	208,142
Equipment	<u>1,331,931</u>
Total depreciable capital assets	<u>8,699,325</u>
Less accumulated depreciation for:	
Buildings	3,449,625
Improvements/infrastructure	97,600
Equipment	<u>989,290</u>
Total accumulated depreciation	<u>4,536,515</u>
Total depreciable capital assets, net	<u>4,162,810</u>
Capital assets, net	<u><u>\$ 4,294,500</u></u>

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA 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
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555		\$ 677
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	52-01	72,104
National School Lunch Program - Cash Assistance	10.555	52-01	156,902
Total State Department of Education			<u>229,006</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 4)	10.555	5201000	14,858
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>244,541</u>
<b>TITLE I, PART A CLUSTER</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	52-01	180,514
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	52-01	69,386
<b>TOTAL TITLE I, PART A CLUSTER</b>			<u>249,900</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	52-01	140,172
ARRA - Special Education - Grants to States, Recovery Act	84.391	52-01	94,068
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>			<u>234,240</u>
<b>OTHER PROGRAMS</b>			
<u>U. S. Department of Education</u>			
Direct Program:			
Rural Education	84.358		17,944
Passed Through State Department of Education:			
Twenty-First Century Community Learning Centers	84.287	52-01	116,600
Education Technology State Grants	84.318	52-01	282
Improving Teacher Quality State Grants	84.367	52-01	38,875
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	52-01	289,587
Total State Department of Education			<u>445,344</u>
Total U. S. Department of Education			<u>463,288</u>
<b>TOTAL OTHER PROGRAMS</b>			<u>463,288</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u>\$ 1,191,969</u>

The accompanying notes are an integral part of this schedule.

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA 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 Bearden School District No. 53 (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 U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 5: During the year ended June 30, 2011, the District received Medicaid funding of \$31,437 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above schedule.



BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 3

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

SIGNIFICANT DEFICIENCY

U. S. DEPARTMENT OF EDUCATION  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
ARRA - SPECIAL EDUCATION - GRANTS TO STATES, RECOVERY ACT - CFDA NUMBER 84.391  
PASS-THROUGH NUMBER 52-01  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2011

2011-1. Reporting

Criteria or specific requirement: The Arkansas Department of Education (ADE) requires the District to submit a budget and an annual financial report for its special education grant activity (ARRA and non-ARRA funds). Expenditures may not exceed the budgeted amounts for each cell (function/object) by more than 10 percent without prior approval from the ADE and the submission of budget amendments.

Condition: The District's ARRA special education grant expenditures exceeded the budget in one budget cell (function/object) by more than the 10 percent allowed in the amount of \$4,788. Total expenditures did not exceed the total overall budget for ARRA funds.

Context: Comparison of actual expenditures to the ARRA special education program's annual financial report and budget.

Effect: The District did not expend funds from the ARRA special education program within the approved budget categories.

Cause: The District failed to properly monitor expenditures against the approved budget.

Recommendation: The District should implement procedures to ensure costs are incurred within the applicable budget categories and consult with the ADE for further guidance regarding this matter.

Views of responsible officials and planned corrective actions: The District's ARRA special education APSCN budget was submitted on September 24, 2010 through cycle #1 submission to the Arkansas Department of Education. The District's ARRA special education APSCN budget was changed/amended on September 28, 2010 in the high school Physical Therapy/Occupational Therapy 6721-2160-002-057-00 (6390) account in the amount of \$6,000. Funds were spent in this account throughout the school year for physical therapy/ occupational therapy for high school students. One amendment was sent/approved by the Arkansas Department of Education Special Education section in the amount of \$932 concerning this account. The District's Special Education Supervisor (Patsy Garlington) believed that because the special education budget was changed/amended prior to the September 30, 2010 budget submission deadline that changes made to the APSCN budget would be reflected/pulled over to the My Sped budget data base and therefore she did not submit an amendment to ADE Special Education section to reflect this \$6,000 budget change. However; once the cycle #1 is submitted this is what is pulled into My Sped data base. Therefore; the budget was not changed in the My Sped budget data base. The District's corrective action plan for this is to ensure that all special education budget changes in APSCN are conducted prior to the Cycle 1 submission each year (prior to September 30th) and to submit any changes after the Cycle 1 submission to ADE Special Education section (as amendments) for approval and changes to the My Sped budget data base which Legislative Audit uses to audit the District's budget/expenditures. Also, the District's Special Education Supervisor will cross-check the APSCN and My Sped budgets each year to ensure they match. The overall Special Education budget was not exceeded in either budget.

BEARDEN SCHOOL DISTRICT NO. 53  
OUACHITA COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2011

Schedule 4

U. S. DEPARTMENT OF EDUCATION  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES

2010 - Finding 2010-2: Title I Grants to Local Educational Agencies - CFDA Number 84.010

Condition: The District budgeted \$72,930 for employee salaries, benefits, purchased services, and materials and supplies for function 1591 (Title I School wide Instruction) but paid \$116,311 of employee salaries, benefits, and materials and supplies out of this function. The expenditures for this function exceeded the 10 percent allowed variance by \$36,088.

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

Current Status: Corrective action was taken.

BEARDEN SCHOOL DISTRICT NO. 53  
 OUACHITA COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2011  
 (Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2011	2010	2009	2008	2007
Total Assets	\$ 1,810,283	\$ 1,677,810	\$ 1,251,003	\$ 648,260	\$ 585,309
Total Liabilities	24,777	42,962	39,474	27,935	9,375
Total Fund Balances	1,785,506	1,634,848	1,211,529	620,325	575,934
Total Revenues	4,622,318	4,752,442	4,805,019	4,666,596	4,611,004
Total Expenditures	4,254,029	4,132,002	3,980,771	4,507,161	4,518,915
Total Other Financing Sources (Uses)	(217,631)	(197,121)	(233,044)	(115,044)	(302,383)
 <b>Special Revenue Fund</b>					
Total Assets	109,144	122,920	116,008	148,202	227,261
Total Liabilities	36	217	3,715		
Total Fund Balances	109,108	122,703	112,293	148,202	227,261
Total Revenues	1,042,531	1,076,527	947,912	931,615	850,471
Total Expenditures	1,056,126	1,042,953	983,821	1,012,553	901,999
Total Other Financing Sources (Uses)		(23,164)		1,879	
 <b>Other Aggregate Funds</b>					
Total Assets	152,121		58,901	64,965	178,396
Total Liabilities	1,724				
Total Fund Balances	150,397		58,901	64,965	178,396
Total Revenues	232,865	393	1,054	1,382	377
Total Expenditures	306,408	281,238	227,799	227,978	404,539
Total Other Financing Sources (Uses)	223,940	221,944	220,681	113,165	302,383