

Ashdown School District No. 31

Little River County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2010



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LITTLE RIVER COUNTY, ARKANSAS
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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

INDEPENDENT AUDITOR'S REPORT

Ashdown School District No. 31 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 Ashdown School District No. 31 (the "District"), as of and for the year ended June 30, 2010, 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.

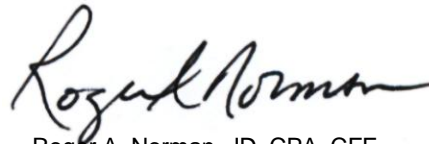
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2010, 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, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 23, 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 a large initial "R".

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

Little Rock, Arkansas
February 23, 2011
EDSD21910

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*

Ashdown School District No. 31 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 Ashdown School District No. 31 (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated February 23, 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, 2010, 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

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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying Schedule of Findings and Questioned Costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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 and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs as item 2010-1 to be a material weakness.

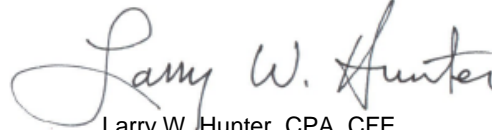
Compliance and Other Matters

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*.

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 cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
February 23, 2011

Sen. Bill Pritchard
Senate 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

Ashdown School District No. 31 and School Board Members
Legislative Joint Auditing Committee

Compliance

We have audited the Ashdown School District No. 31's (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 its major federal programs for the year ended June 30, 2010. 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 2010-2 and 2010-3 in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding reporting that are applicable to its Title I to Local Educational Agencies program and procurement and suspension and debarment that are applicable to its 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 those programs.

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, 2010. The results of our auditing procedures also disclosed other 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 2010-4.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine 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 and another deficiency that we consider to be a significant deficiency.

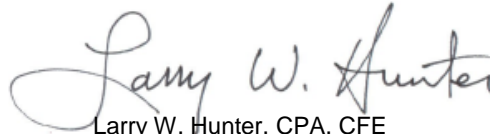
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 2010-2 and 2010-3 to be material weaknesses.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2010-4 to be a significant deficiency.

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

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
February 23, 2011

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 2,661,176	\$ 269,412	\$ 446,158	\$ 96,151
Investments				11,875
Accounts receivable		92,082		
Property taxes receivable	1,450,858			
TOTAL ASSETS	\$ 4,112,034	\$ 361,494	\$ 446,158	\$ 108,026
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 52,821	\$ 1,885		\$ 61
Due student groups				44,932
Total Liabilities	52,821	1,885		44,993
Fund Balances:				
Reserved:				
Endowment				40,000
Scholarships				23,033
Capital projects			\$ 446,158	
Unreserved:				
Undesignated	4,059,213	359,609		
Total Fund Balances	4,059,213	359,609	446,158	63,033
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,112,034	\$ 361,494	\$ 446,158	\$ 108,026

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

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 7,914,168		
State assistance	4,570,222	\$ 5,340	
Federal assistance		2,071,865	
Activity revenues	141,066		
Meal sales		393,216	
Investment income	22,191		\$ 30
Other revenues	60,174	63,906	
TOTAL REVENUES	12,707,821	2,534,327	30
EXPENDITURES			
Regular programs	5,379,755	401,868	
Special education	733,328	177,088	
Workforce education	348,052	25,362	
Compensatory education	3,632	370,424	
Other instructional programs	672,233	78,007	
Student support services	493,766	190,245	
Instructional staff support services	977,511	391,444	
General administration support services	251,023	25,799	
School administration support services	856,945		
Central services support services	245,521		
Operation and maintenance of plant services	1,530,103	202,752	426,707
Student transportation services	561,449	14,059	
Other support services	46,185		
Food services operations		897,592	
Community services operations	26,886	155	
Facilities acquisition and construction services	15,100		26,026
Activity expenditures	151,242		
Debt Service:			
Principal retirement	83,170		235,000
Interest and fiscal charges	3,779		499,970
TOTAL EXPENDITURES	12,379,680	2,774,795	1,187,703
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	328,141	(240,468)	(1,187,673)
OTHER FINANCING SOURCES (USES)			
Transfers in			734,970
Transfers out	(734,970)		
Refund to grantor		(4,611)	
TOTAL OTHER FINANCING SOURCES (USES)	(734,970)	(4,611)	734,970
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(406,829)	(245,079)	(452,703)
FUND BALANCES - JULY 1	4,466,042	604,688	898,861
FUND BALANCES - JUNE 30	\$ 4,059,213	\$ 359,609	\$ 446,158

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

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER 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, 2010

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 7,870,500	\$ 7,914,168	\$ 43,668			
State assistance	4,281,954	4,570,222	288,268	\$ 5,500	\$ 5,340	\$ (160)
Federal assistance				2,861,453	2,071,865	(789,588)
Activity revenues		141,066	141,066			
Meal sales				390,545	393,216	2,671
Investment income	12,000	22,191	10,191			
Other revenues	5,000	60,174	55,174		63,906	63,906
TOTAL REVENUES	12,169,454	12,707,821	538,367	3,257,498	2,534,327	(723,171)
EXPENDITURES						
Regular programs	4,808,684	5,379,755	(571,071)	873,358	401,868	471,490
Special education	691,071	733,328	(42,257)	287,369	177,088	110,281
Workforce education	337,610	348,052	(10,442)	25,822	25,362	460
Compensatory education	5,000	3,632	1,368	382,777	370,424	12,353
Other instructional programs	614,012	672,233	(58,221)	100,621	78,007	22,614
Student support services	428,933	493,766	(64,833)	289,505	190,245	99,260
Instructional staff support services	1,150,718	977,511	173,207	502,744	391,444	111,300
General administration support services	286,829	251,023	35,806	22,812	25,799	(2,987)
School administration support services	822,829	856,945	(34,116)			
Central services support services	274,250	245,521	28,729			
Operation and maintenance of plant services	1,465,483	1,530,103	(64,620)	262,937	202,752	60,185
Student transportation services	541,917	561,449	(19,532)	86,501	14,059	72,442
Other support services	166,900	46,185	120,715			
Food services operations				842,063	897,592	(55,529)
Community services operations	38,380	26,886	11,494	2,000	155	1,845
Facilities acquisition and construction services	34,000	15,100	18,900			
Activity expenditures		151,242	(151,242)			
Debt Service:						
Principal retirement	82,000	83,170	(1,170)			
Interest and fiscal charges	5,000	3,779	1,221			
TOTAL EXPENDITURES	11,753,616	12,379,680	(626,064)	3,678,509	2,774,795	903,714

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER 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, 2010

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 415,838	\$ 328,141	\$ (87,697)	\$ (421,011)	\$ (240,468)	\$ 180,543
OTHER FINANCING SOURCES (USES)						
Transfers in	6,160,077		(6,160,077)			
Transfers out	(6,500,562)	(734,970)	5,765,592			
Refund to grantor					(4,611)	(4,611)
TOTAL OTHER FINANCING SOURCES (USES)	(340,485)	(734,970)	(394,485)		(4,611)	(4,611)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	75,353	(406,829)	(482,182)	(421,011)	(245,079)	175,932
FUND BALANCES - JULY 1	4,557,052	4,466,042	(91,010)	597,744	604,688	6,944
FUND BALANCES - JUNE 30	<u>\$ 4,632,405</u>	<u>\$ 4,059,213</u>	<u>\$ (573,192)</u>	<u>\$ 176,733</u>	<u>\$ 359,609</u>	<u>\$ 182,876</u>

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

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 Ashdown School District (District). There are no component units.

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund – The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

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

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

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

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

Fiduciary Fund types include the following:

Agency Funds – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

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.

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.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20
Buildings	50
Equipment	5-20

F. Property Taxes

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

- If the amount of 40% pullback collected by June 30th is less than the calculated 40% pullback amount, the difference must be accrued;
- If the amount of 40% pullback collected by June 30th is more than the calculated 40% pullback amount, the excess must be recorded as deferred taxes.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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 Designations

1. Reserved fund balance – represents that portion of the fund balance which is not appropriate for expenditure or is legally segregated for a specific future use.
2. Undesignated fund balance – indicates that portion of the fund balance not reserved or designated.

H. Budget and Budgetary Accounting

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

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

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

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 254,851	\$ 254,851
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	3,229,921	4,053,761
Total Deposits	\$ 3,484,772	\$ 4,308,612

The above total deposits include certificates of deposit of \$11,875 reported as investments and classified as nonparticipating contracts.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$92,082 at June 30, 2010 was comprised of the following:

Description	Governmental Fund Major Special Revenue
Federal assistance	\$ 92,082

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2010:

A. Construction Contract

Project Name	Estimated Completion Date	Contract Balance
Roof replacement on High School building	November 15, 2010	\$ 53,823

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, 2010	Maturities To June 30, 2010
12/1/06	4/1/28	3.6 - 4.1%	\$ 2,070,000	\$ 1,890,000	\$ 180,000
1/1/09	4/1/38	3.35 - 5.2%	9,440,000	8,980,000	460,000
Totals			\$ 11,510,000	\$ 10,870,000	\$ 640,000

Changes in Long-term Debt

	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010
Bonds payable	\$ 11,105,000		\$ 235,000	\$ 10,870,000
Installment contracts	83,170 *		83,170	
Totals	\$ 11,188,170	\$ 0	\$ 318,170	\$ 10,870,000

*July 1, 2009 balance increased by \$1,094 due to prior year adjustment.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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
2011	\$ 245,000	\$ 490,945	\$ 735,945
2012	255,000	482,513	737,513
2013	260,000	473,427	733,427
2014	275,000	464,168	739,168
2015	280,000	454,330	734,330
2016-2020	1,595,000	2,093,657	3,688,657
2021-2025	1,965,000	1,733,155	3,698,155
2026-2030	2,145,000	1,271,265	3,416,265
2031-2035	2,215,000	774,221	2,989,221
2036-2038	1,635,000	173,160	1,808,160
Totals	<u>\$ 10,870,000</u>	<u>\$ 8,410,841</u>	<u>\$ 19,280,841</u>

5: ACCOUNTS PAYABLE

The accounts payable balance of \$54,767 at June 30, 2010 was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	Major			
	General	Special Revenue		
Vendor payables	<u>\$ 52,821</u>	<u>\$ 1,885</u>	<u>\$ 61</u>	<u>\$ 54,767</u>

6: INTERFUND TRANSFERS

The District transferred \$734,970 from the general fund to the other aggregate funds for debt related payments.

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, 2010, 2009, and 2008 were \$1,268,261, \$1,171,809, and \$1,158,475, respectively, equal to the required contributions for each year.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

7: RETIREMENT PLANS (Continued)

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, 2010, 2009, and 2008 were \$1,506, \$1,402, and \$1,465, respectively, equal to the required contributions for each year.

8: PRIVATE-PURPOSE TRUST FUNDS

The District maintains the Ashdown High School Scholarship Fund and awards scholarships each year to graduating students to attend an institution of higher learning. The endowed portion of the scholarship fund of \$10,000 is maintained in a certificate of deposit classified as nonparticipating contract.

The District also maintains the Wesley Strange Scholarship Fund and awards scholarships each year based on criteria identified in the gift documents. The endowed portion of the scholarship fund of \$30,000 is maintained in a money market account classified as cash.

9: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 12,679
Interest	812
	13,491
TOTAL ADDITIONS	
	13,491
DEDUCTIONS	
Scholarships	13,325
Other	58
	13,383
TOTAL DEDUCTIONS	
	13,383
CHANGE IN FUND BALANCE	
	108
FUND BALANCE - JULY 1	62,925
FUND BALANCE - JUNE 30	\$ 63,033

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for board liability and student accidents. 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.

11: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District’s employees, totaled \$144,895 for the year ended June 30, 2010.

ASHDOWN SCHOOL DISTRICT NO. 31
 LITTLE RIVER COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Unaudited)

Schedule 1

	Balance June 30, 2010
<i>Nondepreciable capital assets:</i>	
Land	\$ 262,378
<i>Depreciable capital assets:</i>	
Buildings	16,812,894
Improvements/infrastructure	511,529
Equipment	3,869,388
Total depreciable capital assets	21,193,811
Less accumulated depreciation for:	
Buildings	6,715,657
Improvements/infrastructure	77,786
Equipment	2,512,799
Total accumulated depreciation	9,306,242
Total depreciable capital assets, net	11,887,569
Capital assets, net	\$ 12,149,947

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 2)	10.555		\$ 1,623
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	41-01-000	141,948
National School Lunch Program - Cash Assistance	10.555	41-01-000	360,257
Total State Department of Education			<u>502,205</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	4101	33,520
TOTAL CHILD NUTRITION CLUSTER			<u>537,348</u>
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	41-01	367,456
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	4101000	214,929
TOTAL TITLE I, PART A CLUSTER			<u>582,385</u>
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	41-01	295,099
ARRA - Special Education - Grants to States, Recovery Act	84.391	4101000	121,989
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>417,088</u>
EDUCATION FOR HOMELESS CHILDREN AND YOUTH CLUSTER			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Education for Homeless Children and Youth	84.196	41-01	6,953
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	4101000	19,947
TOTAL EDUCATION FOR HOMELESS CHILDREN AND YOUTH CLUSTER			<u>26,900</u>
STATE FISCAL STABILIZATION FUND CLUSTER			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	4101000	472,076
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	4101000	14,275
TOTAL STATE FISCAL STABILIZATION FUND CLUSTER			<u>486,351</u>

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Passed Through State Department of Career Education:			
Career and Technical Education - Basic Grants to States	84.048	41-01	\$ 25,362
Passed Through State Department of Education:			
Safe and Drug-Free Schools and Communities - State Grants	84.186	41-01	7,595
Twenty-First Century Community Learning Centers State Grants for Innovative Programs	84.287	41-01	91,897
Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants)	84.298	41-01	555
Rural Education	84.330	41-01	129
Improving Teacher Quality State Grants	84.358	41-01	34,941
Total State Department of Education	84.367	41-01	130,641
			<u>265,758</u>
TOTAL OTHER PROGRAMS			<u>291,120</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,341,192</u>

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Ashdown School District No. 31 and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the regulatory basis financial statements.
- Note 2: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 4: During the year ended June 30, 2010, the District received Medicaid funding of \$36,090 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above schedule.

ASHDOWN SCHOOL DISTRICT NO. 31
 LITTLE RIVER COUNTY, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2010

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 Title I Grants to Local Educational Agencies and the State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act programs, which were 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
84.010 and 84.389	Title I, Part A Cluster
84.027 and 84.391	Special Education Cluster (IDEA)
84.394 and 84.397	State Fiscal Stabilization Fund Cluster

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

Auditee qualified as low-risk auditee? yes no

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2010-1. Internal Control

Criteria or specific requirement: Internal control is a process consisting of five interrelated components - *control environment, risk assessment, information and communication, control activities* and *monitoring*. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition: A deficiency in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

Context: An understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures was obtained.

Effect: The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard District assets, was adversely affected by the identified weakness in the above internal control component.

Cause: District management, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiency in internal control.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report financial transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets.

Views of responsible officials and planned corrective actions: We concur with the recommendation and will implement corrective procedures to the extent possible.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESSES

U. S. DEPARTMENT OF EDUCATION
PASSED THROUGH STATE DEPARTMENT OF EDUCATION
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES - CFDA NUMBER 84.010
PASS-THROUGH NUMBER 41-01
AUDIT PERIOD - YEAR ENDED JUNE 30, 2010

2010-2. Reporting

Criteria or specific requirement: The District is required to budget program expenditures as part of the Arkansas Comprehensive School Improvement Plan (ACSIP) and submit the ACSIP to the Arkansas Department of Education (ADE). Expenditures may not exceed the budgeted amounts for specific categories by more than 10 percent without prior approval from the ADE and the submission of budget amendments or adjustments. An annual financial report is compiled at the end of the fiscal year.

Condition: The District did not budget salaries and benefits for function 2297 (Instructional Facilitator, Literacy) but paid \$189,121 of salary and benefits out of this function.

Context: Comparison of budgeted expenditures to actual expenditures as reported on the annual financial report.

Effect: The District incurred expenditures for salaries and benefits from a function that had not been properly budgeted.

Cause: Lack of management oversight in the preparation of the budget and monitoring of budgeted expenditures to actual expenditures.

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

Views of responsible officials and planned corrective actions: In the future, we will use the correct function code on both the budget and ACSIP Plan.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

MATERIAL WEAKNESSES (Continued)

U. S. DEPARTMENT OF EDUCATION
PASSED THROUGH STATE DEPARTMENT OF EDUCATION
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT - CFDA
NUMBER 84.394
PASS-THROUGH NUMBER 4101000
AUDIT PERIOD - YEAR ENDED JUNE 30, 2010

2010-3. 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 all applicable projects, financed by ARRA funds, are to contain a Buy-American clause.

Condition: The construction contract totaling \$105,145 to replace the Ashdown High School roof did not include the Buy-American clause.

Context: Examination of the contract for the replacement of the roof at the Ashdown High School.

Effect: The District did not ensure that the Buy-American clause was part of the construction contract.

Cause: Lack of internal controls and management oversight resulted in the Buy-American clause not being properly included in the contract.

Recommendation: The District should ensure that all applicable construction contracts contain the required Buy-American Clause and contact the Arkansas Department of Education for further guidance regarding this matter.

Views of responsible officials and planned corrective actions: In the future, we will make sure this is done correctly.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 3

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

SIGNIFICANT DEFICIENCY

U. S. DEPARTMENT OF EDUCATION
PASSED THROUGH STATE DEPARTMENT OF EDUCATION
STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT - CFDA
NUMBER 84.394
PASS-THROUGH NUMBER 4101000
AUDIT PERIOD - YEAR ENDED JUNE 30, 2010

2010-4. 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 entered into a construction contract of \$105,145, previously identified in finding 2010-3, to replace the roof at the Ashdown High School. This contract did not include the notification requirement that the contractor or subcontractor comply with the provisions of the Davis-Bacon Act and Department of Labor regulations. However, weekly certified payrolls were submitted as the work on the project was being performed.

Context: Examination of the contract for the replacement of the roof at the Ashdown High School.

Effect: The District did not comply with the notification requirements regarding compliance with the Davis-Bacon Act.

Cause: Lack of internal controls and management oversight resulted in the notification requirements regarding compliance with the Davis-Bacon Act not being properly included in the contract.

Recommendation: The District should ensure that all applicable construction contracts contain the required notification regarding compliance with the Davis-Bacon Act. The District should contact the Arkansas Department of Education for further directives regarding this matter.

Views of responsible officials and planned corrective actions: In the future, we will make sure this is done correctly.

ASHDOWN SCHOOL DISTRICT NO. 31
LITTLE RIVER COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Schedule 4

There were no findings in the prior audit.

ASHDOWN SCHOOL DISTRICT NO. 31
 LITTLE RIVER COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Unaudited)

Schedule 5

General Fund	Year Ended June 30,				
	2010	2009	2008	2007	2006
Total Assets	\$ 4,112,034	\$ 4,472,781	\$ 4,511,029	\$ 4,693,353	\$ 4,186,771
Total Liabilities	52,821	6,739	44,226	85,253	
Total Fund Balances	4,059,213	4,466,042	4,466,803	4,608,100	4,186,771
Total Revenues	12,707,821	12,765,146	13,005,193	12,704,581	13,808,990
Total Expenditures	12,379,680	12,033,241	12,322,544	11,671,470	10,964,740
Total Other Financing Sources (Uses)	(734,970)	(732,666)	(823,946)	(611,782)	(537,801)
Special Revenue Fund					
Total Assets	361,494	662,534	570,783	488,164	501,962
Total Liabilities	1,885	57,846	1,763	2,857	
Total Fund Balances	359,609	604,688	569,020	485,307	501,962
Total Revenues	2,534,327	1,998,408	1,835,590	1,697,570	1,817,771
Total Expenditures	2,774,795	1,962,740	1,751,877	1,714,225	1,660,070
Total Other Financing Sources (Uses)					
Other Aggregate Funds					
Total Assets	446,158	898,861	1,366,991	3,713,992	4,878,539
Total Liabilities			87,432	444,734	366,021
Total Fund Balances	446,158	898,861	1,279,559	3,269,258	4,512,518
Total Revenues	30	6,821	70,486	113,462	337,746
Total Expenditures	1,187,703	1,127,378	2,884,131	3,982,630	5,158,832
Total Other Financing Sources (Uses)	734,970	739,859	823,946	2,625,908	728,050