

**Augusta School District No. 10**

**Woodruff County, Arkansas**

**Regulatory Basis Financial Statements  
and Other Reports**

**June 30, 2012**

LEGISLATIVE JOINT AUDITING COMMITTEE



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WOODRUFF COUNTY, ARKANSAS  
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JUNE 30, 2012

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Sen. Bryan B. King  
Senate Chair  
Rep. Kim Hammer  
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House Vice Chair

# Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE  
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Augusta School District No. 10 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 Augusta School District No. 10 (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2013 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Expenditures of Federal Awards (Schedule 2), as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Schedule of Findings and Questioned Costs (Schedule 3), and Federal Award Programs - Summary Schedule of Prior Audit Findings (Schedule 4) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards (Schedule 2), Schedule of Findings and Questioned Costs (Schedule 3), and Federal Award Programs - Summary Schedule of Prior Audit Findings (Schedule 4) are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) and the Schedule of Selected Information for the Last Five Years - Regulatory Basis (Schedule 5) are presented for the purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
January 24, 2013  
EDSD40812

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

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Augusta School District No. 10 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 Augusta School District No. 10 (the "District"), as of and for the year ended June 30, 2012, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 24, 2013. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected or corrected on a timely basis.

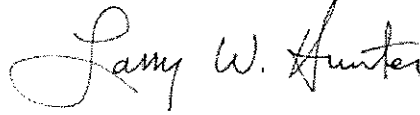
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

DIVISION OF LEGISLATIVE AUDIT

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

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 24, 2013

Sen. Bryan B. King  
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

INDEPENDENT AUDITOR'S REPORT

Augusta School District No. 10 and School Board Members  
Legislative Joint Auditing Committee

Compliance

We have audited the Augusta School District No. 10 (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. 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 2012-1.

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.

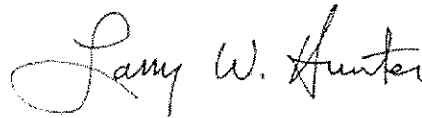
A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement 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 2012-1. 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



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 24, 2013



AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2012

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 575,740			\$ 1,075
Investments	5,260			20,169
Accounts receivable	496,723	\$ 382,693		
Due from other funds	249,773			
Deposit with paying agent			\$ 15,300	
<b>TOTAL ASSETS</b>	<b>\$ 1,327,496</b>	<b>\$ 382,693</b>	<b>\$ 15,300</b>	<b>\$ 21,244</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 18,542	\$ 4,905		
Due student groups				\$ 926
Due to other funds		249,773		
<b>Total Liabilities</b>	<b>18,542</b>	<b>254,678</b>		<b>926</b>
<b>Fund Balances:</b>				
Nonspendable			\$ 15,300	20,169
Restricted	47,588	128,015		149
Assigned	18,731			
Unassigned	1,242,635			
<b>Total Fund Balances</b>	<b>1,308,954</b>	<b>128,015</b>	<b>15,300</b>	<b>20,318</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,327,496</b>	<b>\$ 382,693</b>	<b>\$ 15,300</b>	<b>\$ 21,244</b>

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 1,556,161		
State assistance	2,908,067	\$ 2,320	\$ 11,056
Federal assistance	41,765	1,777,261	
Activity revenues	119,359		
Meal sales		53,002	
Investment income	55		
Other revenues	179,143	79,481	
<b>TOTAL REVENUES</b>	<b>4,804,550</b>	<b>1,912,064</b>	<b>11,056</b>
<b>EXPENDITURES</b>			
Regular programs	2,154,325	68,395	
Special education	120,943	241,360	
Workforce education programs	151,864	8,626	
Compensatory education programs	5,465	415,834	
Other instructional programs	49,988		
Student support services	153,046	38,200	
Instructional staff support services	262,081	686,465	
General administration support services	322,607	33,713	
School administration support services	194,803	3,226	
Central services support services	44,767	76,644	
Operation and maintenance of plant services	865,371	10,746	
Student transportation services	201,558	2,151	
Other support services	17,330		
Food services operations	40,757	345,876	
Community services operations		329	
Non-programmed costs		38,826	
Activity expenditures	112,734		
Debt Service:			
Principal retirement	26,900		105,000
Interest and fiscal charges	671		83,323
<b>TOTAL EXPENDITURES</b>	<b>4,725,210</b>	<b>1,970,391</b>	<b>188,323</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>79,340</b>	<b>(58,327)</b>	<b>(177,267)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			188,157
Transfers out	(188,157)		
Compensation for loss of capital assets	824,303		
Refund to grantor		(817)	
Proceeds from refunding bond issue			2,205,000
Payment to escrow agent			(2,136,250)
Net bond issuance costs			(64,340)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>636,146</b>	<b>(817)</b>	<b>192,567</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>715,486</b>	<b>(59,144)</b>	<b>15,300</b>
<b>FUND BALANCES - JULY 1</b>	<b>593,468</b>	<b>187,159</b>	
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,308,954</b>	<b>\$ 128,015</b>	<b>\$ 15,300</b>

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C

	General				Special Revenue			
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)		
<b>REVENUES</b>								
Property taxes (including property tax relief trust distribution)	\$ 1,617,988	\$ 1,556,161	\$(61,827)	\$ 2,000	\$ 2,320	\$ 320		
State assistance	3,003,218	2,908,067	(95,151)	1,958,508	1,777,261	(181,247)		
Federal assistance		41,765	41,765					
Activity revenues		119,359	119,359	69,669	53,002	(16,667)		
Meal sales								
Investment income		55	55					
Other revenues	629,737	179,143	(450,594)		79,481	79,481		
<b>TOTAL REVENUES</b>	<b>5,250,943</b>	<b>4,804,550</b>	<b>(446,393)</b>	<b>2,030,177</b>	<b>1,912,064</b>	<b>(118,113)</b>		
<b>EXPENDITURES</b>								
Regular programs	2,119,892	2,154,325	(34,433)	44,745	68,395	(23,650)		
Special education	142,515	120,943	21,572	216,462	241,360	(24,898)		
Workforce education programs	151,220	151,864	(644)	8,627	8,626	1		
Compensatory education programs	50	5,465	(5,415)	493,633	415,834	77,799		
Other instructional programs	49,733	49,988	(255)					
Student support services	187,886	153,046	34,840	18,090	38,200	(20,110)		
Instructional staff support services	271,080	282,081	(8,999)	962,716	686,465	276,251		
General administration support services	314,649	322,607	(7,958)	32,446	33,713	(1,267)		
School administration support services	225,601	194,803	30,798		3,226	(3,226)		
Central services support services	49,040	44,767	4,273	77,394	76,644	750		
Operation and maintenance of plant services	988,602	865,371	123,231		10,746	(10,746)		
Student transportation services	203,479	201,558	1,921		2,151	(2,151)		
Other support services	16,000	17,330	(1,330)					
Food services operations	57,168	40,757	16,411	289,069	345,876	(56,807)		
Community services operations				5,242	329	4,913		
Non-programmed costs				46,817	38,826	7,991		
Activity expenditures		112,734	(112,734)					
Debt Service:								
Principal retirement	26,900	26,900						
Interest and fiscal charges	671	671						
<b>TOTAL EXPENDITURES</b>	<b>4,804,486</b>	<b>4,725,210</b>	<b>79,276</b>	<b>2,195,241</b>	<b>1,970,391</b>	<b>224,850</b>		

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 446,457	\$ 79,340	\$ (367,117)	\$ (165,064)	\$ (58,327)	\$ 106,737
OTHER FINANCING SOURCES (USES)						
Transfers in	5,509,054	(188,157)	(5,509,054)	52,038		(52,038)
Transfers out	(5,637,617)	824,303	5,449,460	(52,039)		52,039
Compensation for loss of capital assets					(817)	(817)
Refund to grantor						
TOTAL OTHER FINANCING SOURCES (USES)	(128,563)	636,146	764,709	(1)	(817)	(816)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	317,894	715,486	397,592	(165,065)	(59,144)	105,921
FUND BALANCES - JULY 1	619,837	593,468	(26,369)	255,975	187,159	(68,816)
FUND BALANCES - JUNE 30	\$ 937,731	\$ 1,308,954	\$ 371,223	\$ 90,910	\$ 128,015	\$ 37,105

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

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.

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.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District maintains a threshold level of \$1,500 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
Buildings	20-50
Equipment	5-20

F. Property Taxes

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

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

Amendment no. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Interfund Receivables and Payables

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

H. Fund Balance Classifications

1. Nonspendable fund balance – represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. 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.
3. 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.
4. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

I. Budget and Budgetary Accounting

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

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

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

J. Stabilization Arrangements

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

K. Minimum Fund Balance Policies

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

L. Fund Balance Classification Policies and Procedures

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

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

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

M. Encumbrances

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 602,244	\$ 1,214,921

The above total deposits include certificates of deposit of \$25,429 reported as investments and classified as nonparticipating contracts.

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$879,416 at June 30, 2012 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Federal assistance		\$ 378,174	\$ 378,174
Compensation for loss of capital assets	\$ 474,303		474,303
Other	22,420	4,519	26,939
Totals	\$ 496,723	\$ 382,693	\$ 879,416

**4: COMMITMENTS**

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

Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2012	Maturities To June 30, 2012
5/1/12	2/1/42	1 - 3.55%	\$ 2,205,000	\$ 2,205,000	\$ 0



AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**4: COMMITMENTS (Continued)**

Changes in Long-term Debt

	Balance July 1, 2011	Issued	Retired	Balance June 30, 2012
Bonds payable	\$ 2,200,000	\$ 2,205,000	\$ 2,200,000	\$ 2,205,000
Certificates of indebtedness	26,900		26,900	
<b>Totals</b>	<b>\$ 2,226,900</b>	<b>\$ 2,205,000</b>	<b>\$ 2,226,900</b>	<b>* \$ 2,205,000</b>

\*Includes \$2,095,000 early retirement of debt - See Note 6.

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

Year Ended June 30,	Principal	Interest	Total
2013	\$ 70,000	\$ 45,900	\$ 115,900
2014	50,000	60,500	110,500
2015	50,000	60,000	110,000
2016	55,000	59,500	114,500
2017	55,000	58,868	113,868
2018-2022	285,000	279,925	564,925
2023-2027	315,000	246,362	561,362
2028-2032	370,000	199,569	569,569
2033-2037	435,000	137,045	572,045
2038-2042	520,000	56,705	576,705
<b>Totals</b>	<b>\$ 2,205,000</b>	<b>\$ 1,204,374</b>	<b>\$ 3,409,374</b>

**5: ACCOUNTS PAYABLE**

The accounts payable balance of \$23,447 at June 30, 2012 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Vendor payables	\$ 18,542	\$ 4,905	\$ 23,447

**6: DEBT REFUNDINGS**

On May 1, 2012, the District issued \$2,205,000 in refunding bonds with interest rates of 1 to 3.55 percent. The bond proceeds will be used to advance refund \$2,095,000 of outstanding bonds dated April 15, 2007, with interest rates of 3.75 to 3.8 percent. Net bond proceeds of \$2,136,250 were remitted to an escrow agent to provide for all future debt service payments for the bonds advance refunded and to pay fees of \$1,707. The bonds will be called on August 1, 2012.

The remaining proceeds of \$4,410 (after payment of \$64,340 net bond issuance costs) will be used for subsequent debt payments on the new issue. The District issued refunding bonds to extend its debt payments from February 1, 2026 to February 1, 2042.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**6: DEBT REFUNDINGS (Continued)**

The outstanding principal of the bonds advance refunded was \$2,095,000 at June 30, 2012. The escrow agent held \$2,134,543 in cash for the retirement of these bonds.

**7: INTERFUND TRANSFERS**

The District transferred \$188,157 from the general fund to other aggregate funds for debt related payments.

**8: 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, 2012, 2011, and 2010 were \$532,386, \$579,698, and \$544,232, respectively, equal to the required contributions for each year.

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

ADDITIONS	
Interest	\$ 156
DEDUCTIONS	
Scholarships	296
CHANGE IN FUND BALANCE	(140)
FUND BALANCE - JULY 1	20,458
FUND BALANCE - JUNE 30	\$ 20,318

**10: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$2,205,000 issued on May 1, 2012. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$3,409,374, payable through February 1, 2042. Principal and interest paid for the current year and total property taxes pledged for debt service were \$188,023 and \$359,114, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 52.36 percent.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

**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 for board liability, student accident, and business trip accidental death and dismemberment coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

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

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

**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 \$83,278 for the year ended June 30, 2012.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2012

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

Description	Governmental Funds			Total
	Major			
	General	Special Revenue	Other Aggregate	
Fund Balances:				
Nonspendable:				
Deposit with paying agent			\$ 15,300	\$ 15,300
Restricted for:				
Alternative learning environment	\$ 520			520
Educational programs - national school lunch state categorical funding	9,940			9,940
English-language learners	727			727
Professional development	2,452			2,452
Child nutrition programs		\$ 113,217		113,217
Medical services		14,734		14,734
Special education programs	12,153			12,153
Other purposes	21,796	65		21,861
Total Restricted	<u>47,588</u>	<u>128,016</u>		<u>175,604</u>
Assigned to:				
Student activities	<u>18,731</u>			<u>18,731</u>
Unassigned	<u>1,242,635</u>			<u>1,242,635</u>
Totals	<u>\$1,308,954</u>	<u>\$ 128,016</u>	<u>\$ 15,300</u>	<u>\$1,452,270</u>

**14: MAGUIRE SCHOLARSHIP FUND**

On February 3, 2002, the District received \$11,719 to endow the Maguire Scholarship Fund. The agreement stipulated interest earnings not utilized to fund scholarships would be added to the endowed amount each year. The endowment balance is maintained as cash and a certificate of deposit.

**15: COMPENSATION FOR LOSS OF CAPITAL ASSETS**

On March 4, 2012, the District sustained fire damage to its administrative offices and preschool facility. During the year ended June 30, 2012, the District received insurance proceeds of \$824,303 as compensation for this loss.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2012  
(Unaudited)

Schedule 1

	Balance June 30, 2012
<i>Nondepreciable capital assets:</i>	
Land	<u>\$ 141,180</u>
<i>Depreciable capital assets:</i>	
Buildings	6,593,959
Equipment	<u>1,074,619</u>
Total depreciable capital assets	<u>7,668,578</u>
Less accumulated depreciation for:	
Buildings	3,742,759
Equipment	<u>751,468</u>
Total accumulated depreciation	<u>4,494,227</u>
Total depreciable capital assets, net	<u>3,174,351</u>
Capital assets, net	<u><u>\$ 3,315,531</u></u>

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	74-01-000	\$ 99,398
National School Lunch Program - Cash Assistance	10.555	74-01-000	204,356
Total State Department of Education			303,754
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	7401000	21,814
TOTAL CHILD NUTRITION CLUSTER			325,568
 <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	7401	183,610
ARRA - Special Education - Grants to States, Recovery Act	84.391	7401000	1,047
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			184,657
 <b>OTHER PROGRAMS</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Human Services:			
Child and Adult Care Food Program	10.558	A0511	7,440
 <u>U. S. Department of Education</u>			
Direct Program:			
Teacher Incentive Fund	84.374		572,660
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	74-01	592,992
Improving Teacher Quality State Grants	84.367	7401	73,896
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act	84.394	7401000	76,055
ARRA - Education Jobs Fund, Recovery Act	84.410	7401000	47,310
Total State Department of Education			790,253
Total U. S. Department of Education			1,362,913
 <u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Human Services:			
Social Services Block Grant	93.667	Unavailable	21,750
TOTAL OTHER PROGRAMS			1,392,103
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 1,902,328</b>

The accompanying notes are an integral part of this schedule.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of Augusta School District No. 10 (District) under programs of the federal government for the year ended June 30, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.
- Note 4: During the year ended June 30, 2012, the District received Medicaid funding of \$62,603 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above schedule.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 3

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Types of auditor's reports issued:      GAAP basis of reporting - adverse  
Regulatory basis opinion units - unqualified

Internal control over financial reporting:

- Material weakness(es) identified?       yes       no
- Significant deficiency(ies) identified?       yes       none reported

Noncompliance material to financial statements noted?       yes       no

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness(es) identified?       yes       no
- Significant deficiency(ies) identified?       yes       none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?       yes       no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster
84.027 and 84.391	Special Education Cluster (IDEA)
84.010	Title I Grants to Local Educational Agencies

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

Auditee qualified as low-risk auditee?       yes       no



AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

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

**SIGNIFICANT DEFICIENCY**

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 74-01  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2012

2012-1. Reporting

Criteria or specific requirement: The District is required to budget Title I 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. Additionally, the annual financial report is compiled at the end of the fiscal year for the program.

Condition: Title I, School Improvement Grant (non-ARRA) expenditures for function 2230 (Instruction-related Technology) exceeded the budgeted amount by \$3,699 more than the 10 percent allowed.

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

Effect: The District did not record the Title I, School Improvement Grant expenditures within the approved budget classifications.

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 contact the ADE for further guidance regarding this matter.

Views of responsible officials and planned corrective actions: The District will implement procedures to ensure costs are entered into the system with the correct budget units and accounts as designated in the budget.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 4

U. S. DEPARTMENT OF EDUCATION  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
ARRA - STATE FISCAL STABILIZATION FUND (SFSF) - EDUCATION STATE GRANTS, RECOVERY ACT

2011 - Finding 2011-2: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act - CFDA Number 84.394

Condition: The District did not notify a contractor of the compliance requirements of the Davis-Bacon Act and did not obtain copies of certified payrolls for a \$19,980 HVAC renovation project paid from State Fiscal Stabilization funds in the year ended June 30, 2009. A similar finding was reported in the previous two audits.

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

Current Status: The District reimbursed the State Fiscal Stabilization Fund from the general fund for the expenditures related to the above projects.

2011 - Finding 2011-3: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act - CFDA Number 84.394

Condition: The contract, previously identified in finding 2011-2, for HVAC renovations did not include the Buy-American clause. A similar finding was reported in the previous two audits.

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

Current Status: The District reimbursed the State Fiscal Stabilization Fund from the general fund for the expenditures related to the above projects.

U. S. DEPARTMENT OF AGRICULTURE  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
CHILD NUTRITION CLUSTER (CASH ASSISTANCE PROGRAMS)

2011 - Finding 2011-4: Child Nutrition Cluster (Cash Assistance Programs) - CFDA Numbers 10.553 and 10.555

Condition: The District did not pay to the child nutrition programs the required cost differential for applicable meals served. The District was not consistent in maintaining a two month operating cash balance in the child nutrition account of \$69,667, as established by the Arkansas Department of Education, Child Nutrition Unit (ADE, CNU). In June 2011, the balance fell below the minimum by \$5,185 to a balance of \$64,482. A similar finding was reported in the prior audit.

Recommendation: Contact ADE, CNU for proper resolution of this matter.

Current Status: Corrective action was taken.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2012

Schedule 4

U. S. DEPARTMENT OF EDUCATION  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
SPECIAL EDUCATION - GRANTS TO STATES AND SPECIAL EDUCATION - PRESCHOOL GRANTS

2011 - Finding 2011-5: Special Education - Grants to States and Special Education - Preschool Grants - CFDA Numbers 84.027 and 84.173

Condition: Special education expenditures (non-ARRA) for certified salaries (object 61110) for other special education (function 1299) exceeded the budget by \$1,912 more than the 10 percent allowed. Additionally, the District did not budget special education preschool expenditures (non-ARRA) of \$624 (objects 61120, classified salaries and 62000, employee benefits of \$513 and \$111, respectively) for vehicle operation - student transportation services (function 2720). Total expenditures did not exceed the overall budgets.

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.

AUGUSTA SCHOOL DISTRICT NO. 10  
WOODRUFF COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(Unaudited)

Schedule 5

	Year Ended June 30,				
	2012	2011	2010	2009	2008
<b>General Fund</b>					
Total Assets	\$ 1,327,496	\$ 608,560	\$ 628,345	\$ 627,846	\$ 496,889
Total Liabilities	18,542	15,092	8,924	5,690	33,933
Total Fund Balances	1,308,954	593,468	619,421	622,156	462,756
Total Revenues	4,804,550	4,515,494	4,653,485	4,938,322	5,238,079
Total Expenditures	4,725,210	4,362,070	4,537,300	4,647,565	5,143,729
Total Other Financing Sources (Uses)	636,146	(179,377)	(118,920)	(131,357)	(41,499)
<b>Special Revenue Fund</b>					
Total Assets	382,693	197,132	215,628	318,471	186,533
Total Liabilities	254,678	9,973	1,630	104,639	3,654
Total Fund Balances	128,015	187,159	213,998	213,832	182,879
Total Revenues	1,912,064	2,601,447	2,346,288	1,817,863	1,283,781
Total Expenditures	1,970,391	2,628,286	2,346,122	1,786,910	1,399,348
Total Other Financing Sources (Uses)	(817)	2,765			3,929
<b>Other Aggregate Funds</b>					
Total Assets	15,300	236			
Total Liabilities		236			
Total Fund Balances	15,300				
Total Revenues	11,056	51,525	13,172	19,998	
Total Expenditures	188,323	228,138	185,892	189,355	116,212
Total Other Financing Sources (Uses)	192,567	176,612	172,720	169,357	109,370