

# **Wynne School District No. 9**

**Cross County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2010**

LEGISLATIVE JOINT AUDITING COMMITTEE

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CROSS COUNTY, ARKANSAS  
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JUNE 30, 2010

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

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Wynne School District No. 9 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 Wynne School District No. 9 (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.

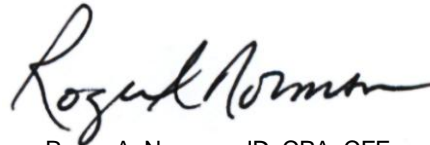
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 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 that reads "Roger A. Norman". The signature is written in a cursive, flowing style.

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

Little Rock, Arkansas  
February 23, 2011  
EDSD09910

**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*

Wynne School District No. 9 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 Wynne School District No. 09 (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.

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

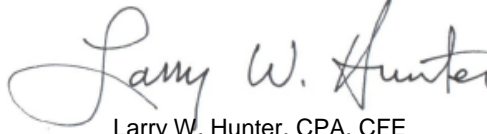
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material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

Compliance and Other Matters

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

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 23, 2011

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

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Wynne School District No. 9 and School Board Members  
Legislative Joint Auditing Committee

### Compliance

We have audited the Wynne School District No. 9'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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

### Internal Control Over Compliance

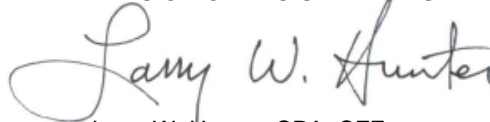
The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control 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.

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 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.

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

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2010

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 709,628		\$ 315,830	\$ 48,692
Investments	3,000,000		1,000,000	19,400
Accounts receivable		\$ 541,499		
Property taxes receivable	260,082			
Due from other funds	61,539			
<b>TOTAL ASSETS</b>	<b>\$ 4,031,249</b>	<b>\$ 541,499</b>	<b>\$ 1,315,830</b>	<b>\$ 68,092</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 223,965	\$ 25,378		\$ 546
Due student groups				48,146
Due to other funds		61,539		
<b>Total Liabilities</b>	<b>223,965</b>	<b>86,917</b>		<b>48,692</b>
Fund Balances:				
Reserved:				
Scholarships				\$ 19,400
Unreserved:				
Designated:				
Capital projects			\$ 1,315,830	
Undesignated	\$ 3,807,284	\$ 454,582		
<b>Total Fund Balances</b>	<b>3,807,284</b>	<b>454,582</b>	<b>1,315,830</b>	<b>19,400</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 4,031,249</b>	<b>\$ 541,499</b>	<b>\$ 1,315,830</b>	<b>\$ 68,092</b>

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

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 5,307,106		
State assistance	15,264,373	\$ 11,219	
Federal assistance	219	4,878,633	
Activity revenues	309,639		
Meal sales		312,748	
Investment income	49,608		\$ 16,887
Other revenues	70,532	49,897	
<b>TOTAL REVENUES</b>	<b>21,001,477</b>	<b>5,252,497</b>	<b>16,887</b>
<b>EXPENDITURES</b>			
Regular programs	9,151,987	702,818	
Special education	1,584,768	650,471	
Workforce education	863,328	162,924	
Compensatory education	213,130	730,989	
Other instructional programs	812,695	51,633	
Student support services	1,024,915	87,831	
Instructional staff support services	1,130,778	945,855	
General administration support services	454,010	75,314	
School administration support services	1,123,056		
Central services support services	437,391	27,253	
Operation and maintenance of plant services	1,893,553	45,099	
Student transportation services	979,627	39,918	
Other support services	40,034		
Food services operations		1,372,690	
Community services operations		345	
Facilities acquisition and construction services	159,008	420,962	761,207
Non-programmed costs	442		
Activity expenditures	307,969		
Debt Service:			
Principal retirement	2,026		620,000
Interest and fiscal charges	236		214,478
<b>TOTAL EXPENDITURES</b>	<b>20,178,953</b>	<b>5,314,102</b>	<b>1,595,685</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>822,524</b>	<b>(61,605)</b>	<b>(1,578,798)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			834,478
Transfers out	(834,478)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(834,478)</b>		<b>834,478</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(11,954)</b>	<b>(61,605)</b>	<b>(744,320)</b>
<b>FUND BALANCES - JULY 1</b>	<b>3,819,238</b>	<b>516,187</b>	<b>2,060,150</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 3,807,284</b>	<b>\$ 454,582</b>	<b>\$ 1,315,830</b>

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

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 5,335,185	\$ 5,307,106	\$ (28,079)			
State assistance	15,006,173	15,264,373	258,200	\$ 11,000	\$ 11,219	\$ 219
Federal assistance		219	219	5,860,454	4,878,633	(981,821)
Activity revenues		309,639	309,639			
Meal sales				297,000	312,748	15,748
Investment income	50,000	49,608	(392)			
Other revenues	20,503	70,532	50,029		49,897	
<b>TOTAL REVENUES</b>	<b>20,411,861</b>	<b>21,001,477</b>	<b>589,616</b>	<b>6,168,454</b>	<b>5,252,497</b>	<b>(965,854)</b>
<b>EXPENDITURES</b>						
Regular programs	9,188,481	9,151,987	36,494	606,451	702,818	(96,367)
Special education	1,625,620	1,584,768	40,852	901,177	650,471	250,706
Workforce education	871,277	863,328	7,949	97,480	162,924	(65,444)
Compensatory education	218,006	213,130	4,876	833,470	730,989	102,481
Other instructional programs	819,808	812,695	7,113	50,000	51,633	(1,633)
Student support services	1,001,515	1,024,915	(23,400)	322,767	87,831	234,936
Instructional staff support services	1,178,384	1,130,778	47,606	1,249,043	945,855	303,188
General administration support services	649,663	454,010	195,653	106,308	75,314	30,994
School administration support services	1,118,707	1,123,056	(4,349)			
Central services support services	450,971	437,391	13,580	30,893	27,253	3,640
Operation and maintenance of plant services	2,015,171	1,893,553	121,618	40,000	45,099	(5,099)
Student transportation services	1,088,204	979,627	108,577	127,838	39,918	87,920
Other support services	60,000	40,034	19,966			
Food services operations				1,239,148	1,372,690	(133,542)
Other enterprise operations						
Community services operations				4,620	345	4,275
Facilities acquisition and construction services	50,400	159,008	(108,608)	723,464	420,962	302,502
Non-programmed costs	442	442				
Activity expenditures		307,969	(307,969)			
Debt Service:						
Principal retirement	1,300	2,026	(726)			
Interest and fiscal charges	250	236	14			
<b>TOTAL EXPENDITURES</b>	<b>20,338,199</b>	<b>20,178,953</b>	<b>159,246</b>	<b>6,332,659</b>	<b>5,314,102</b>	<b>1,018,557</b>

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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	\$ 73,662	\$ 822,524	\$ 748,862	\$ (164,205)	\$ (61,605)	\$ 102,600
OTHER FINANCING SOURCES (USES)						
Transfers in	11,449,505		(11,449,505)	109,087		(109,087)
Transfers out	(12,283,663)	(834,478)	11,449,185	(109,087)		109,087
TOTAL OTHER FINANCING SOURCES (USES)	(834,158)	(834,478)	(320)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(760,496)	(11,954)	748,542	(164,205)	(61,605)	102,600
FUND BALANCES - JULY 1	3,886,912	3,819,238	(67,674)	517,452	516,187	(1,265)
FUND BALANCES - JUNE 30	\$ 3,126,416	\$ 3,807,284	\$ 680,868	\$ 353,247	\$ 454,582	\$ 101,335

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

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

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

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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	20-25
Buildings	20-50
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 30<sup>th</sup> is less than the calculated 40% pullback amount, the difference must be accrued;
- If the amount of 40% pullback collected by June 30<sup>th</sup> is more than the calculated 40% pullback amount, the excess must be recorded as deferred taxes.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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. Interfund Receivables and Payables

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

H. Fund Balance Designations

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

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.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 1,000,000	\$ 1,000,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	4,092,645	4,588,605
Total Deposits	\$ 5,092,645	\$ 5,588,605

The above total deposits do not include cash on hand of \$905. The above total deposits include certificates of deposit of \$4,019,400 reported as investments and classified as nonparticipating contracts.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$541,499 at June 30, 2010 was comprised of the following:

Description	Governmental Fund Major Special Revenue
Federal assistance	\$ 541,499

**4: COMMITMENTS**

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

A. Construction Contracts	Estimated Completion Date	Contract Balance
Project Name		
High School cafeteria renovation	January 1, 2011	\$ 227,002
Wynne School freezer storage building	September 1, 2010	205,521

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
3/1/01	2/1/17	3.75 - 4.6%	\$ 2,296,361	\$ 1,205,000	\$ 1,091,361
11/1/03	6/1/17	2.75 - 3.75%	6,886,691	3,875,000	3,011,691
12/15/08	11/15/11	1.7%	6,123	2,931	3,192
Totals			\$ 9,189,175	\$ 5,082,931	\$ 4,106,244

Changes in Long-term Debt

	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010
Bonds payable	\$ 5,700,000		\$ 620,000	\$ 5,080,000
Capital leases	4,957		2,026	2,931
Totals	\$ 5,704,957	\$ 0	\$ 622,026	\$ 5,082,931

WYNNE SCHOOL DISTRICT NO. 9  
CROSS 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	\$ 642,061	\$ 193,130	\$ 835,191
2012	670,870	170,850	841,720
2013	695,000	146,723	841,723
2014	720,000	120,830	840,830
2015	750,000	93,158	843,158
2016-2017	1,605,000	95,765	1,700,765
Totals	<u>\$ 5,082,931</u>	<u>\$ 820,456</u>	<u>\$ 5,903,387</u>

Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2010
Copier	<u>\$ 6,123</u>
	<u>June 30, 2010</u>
Total Minimum Lease Payments	\$ 2,967
Less: Amount Representing Interest	<u>36</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 2,931</u>

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities balance of \$249,889 at June 30, 2010 was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	Major			
	General	Special Revenue		
Vendor payables	\$ 11,875	\$ 25,378	\$ 546	\$ 37,799
Payroll withholdings and matching	<u>212,090</u>			<u>212,090</u>
Totals	<u>\$ 223,965</u>	<u>\$ 25,378</u>	<u>\$ 546</u>	<u>\$ 249,889</u>

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**6: INTERFUND TRANSFERS**

The District transferred \$834,478 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 \$2,195,715, \$1,904,205, and \$2,077,331, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteachers hired before July 1, 1989. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol, Suite 400, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the years ended June 30, 2010, 2009, and 2008 were \$2,407, \$4,070, and \$5,346, respectively, equal to the required contributions for each year.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2010

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

ADDITIONS	
Donations	\$ 1,244
Interest	<u>385</u>
TOTAL ADDITIONS	<u>1,629</u>
DEDUCTIONS	
Scholarships	<u>2,500</u>
CHANGE IN FUND BALANCE	(871)
FUND BALANCE - JULY 1	<u>20,271</u>
FUND BALANCE - JUNE 30	<u><u>\$ 19,400</u></u>

**9: 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 coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

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

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

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

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2010

**10: 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 \$289,522 for the year ended June 30, 2010.

**11: SUBSEQUENT EVENTS**

On July 19, 2010, the District executed a contract of \$601,328 to re-roof the high school cafeteria.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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	\$ 992,642
Construction in progress	216,017
Total nondepreciable capital assets	1,208,659
 <i>Depreciable capital assets:</i>	
Buildings	27,847,435
Improvements/infrastructure	1,355,199
Equipment	5,946,974
Total depreciable capital assets	35,149,608
 Less accumulated depreciation for:	
Buildings	6,969,256
Improvements/infrastructure	814,702
Equipment	4,467,869
Total accumulated depreciation	12,251,827
Total depreciable capital assets, net	22,897,781
Capital assets, net	\$ 24,106,440

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Direct Program:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 2)	10.555		\$ 3,264
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	19-05-000	257,399
National School Lunch Program - Cash Assistance	10.555	19-05-000	704,033
Total State Department of Education			<u>961,432</u>
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (Food Distribution) (Note 3)	10.555	1903A2010	80,233
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<u>1,044,929</u>
<b>TITLE I, PART A CLUSTER</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Educational Agencies	84.010	1905	999,687
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	1905	206,987
<b>TOTAL TITLE I, PART A CLUSTER</b>			<u>1,206,674</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	1905	556,104
ARRA - Special Education - Grants to States, Recovery Act	84.391	1905	213,415
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>			<u>769,519</u>
<b>STATE FISCAL STABILIZATION FUND CLUSTER</b>			
<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	1905	1,318,057
ARRA - State Fiscal Stabilization Fund (SFSF) - Government Services, Recovery Act	84.397	1905	34,838
<b>TOTAL STATE FISCAL STABILIZATION FUND CLUSTER</b>			<u>1,352,895</u>

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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
<u>OTHER PROGRAMS</u>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
ARRA - Child Nutrition Discretionary Grants Limited Availability	10.579	1905	\$ 14,000
<u>U. S. Department of Defense</u>			
Direct Program:			
ROTC (Note 4)	12.AR070019		51,633
<u>U. S. Department of Education</u>			
Passed Through State Department of Career Education:			
Career and Technical Education - Basic Grants to States	84.048	L19-05-000	55,910
Passed Through State Department of Education:			
Safe and Drug-Free Schools and Communities - State Grants	84.186	1905	8,782
State Grants for Innovative Programs	84.298	1905	880
Reading First State Grants	84.357	1905	177,943
Rural Education	84.358	1905	93,794
Improving Teacher Quality State Grants	84.367	1905	215,765
Total State Department of Education			497,164
Total U. S. Department of Education			553,074
TOTAL OTHER PROGRAMS			618,707
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 4,992,724

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 Wynne School District No. 9 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: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 5: During the year ended June 30, 2010, the District received Medicaid funding of \$24,397 from the State Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above schedule.



WYNNE SCHOOL DISTRICT NO. 9  
CROSS 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.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2010  
 (Unaudited)

<b>General Fund</b>	Year Ended June 30,				
	2010	2009	2008	2007	2006
Total Assets	\$ 4,031,249	\$ 4,057,585	\$ 3,464,537	\$ 4,007,155	\$ 3,911,348
Total Liabilities	223,965	238,347	305,865	213,332	361,892
Total Fund Balances	3,807,284	3,819,238	3,158,672	3,793,823	3,549,456
Total Revenues	21,001,477	21,461,803	20,905,026	21,908,815	23,439,811
Total Expenditures	20,178,953	19,769,331	19,914,516	20,087,320	19,576,450
Total Other Financing Sources (Uses)	(834,478)	(1,031,906)	(1,625,661)	(1,577,128)	(3,139,060)
<b>Special Revenue Fund</b>					
Total Assets	541,499	516,187	440,851	503,328	570,020
Total Liabilities	86,917		377		
Total Fund Balances	454,582	516,187	440,474	503,328	570,020
Total Revenues	5,252,497	3,470,606	3,512,165	3,491,859	3,583,712
Total Expenditures	5,314,102	3,394,893	3,575,019	3,558,551	3,617,910
Total Other Financing Sources (Uses)					76,059
<b>Other Aggregate Funds</b>					
Total Assets	1,315,830	2,060,150	2,681,182	3,850,612	3,461,890
Total Liabilities			316,928	57,030	
Total Fund Balances	1,315,830	2,060,150	2,364,254	3,793,582	3,461,890
Total Revenues	16,887	511,423	1,636,683	561,156	42,267
Total Expenditures	1,595,685	1,853,556	4,691,672	1,722,350	1,221,686
Total Other Financing Sources (Uses)	834,478	1,038,029	1,625,661	1,492,886	3,178,885