

# **Dermott Special School District**

**Chicot County, Arkansas**

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

**June 30, 2008**



DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2008

Independent Auditor's Report  
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*  
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Regulatory Basis	B
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to Financial Statements	

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Expenditures of Federal Awards	2
Schedule of Findings and Questioned Costs	3
Federal Award Programs – Summary Schedule of Prior Audit Findings	4
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	5

**Sen. Bobby L. Glover**  
Senate Co-Chair  
**Rep. Johnny Hoyt**  
House Co-Chair  
**Sen. Bill Pritchard**  
Senate Co-Vice Chair  
**Rep. Beverly Pyle**  
House Co-Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Dermott Special School District 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 Dermott Special School District (the "District"), as of and for the year ended June 30, 2008, 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, 2008, 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, 2008, and the respective changes in financial position and budgetary results 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 October 22, 2009 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1), Schedule of Expenditures of Federal Awards (Schedule 2), as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Schedule of Findings and Questioned Costs (Schedule 3), Federal Award Programs – Summary Schedule of Prior Audit Findings (Schedule 4) and Schedule of Selected Information for the Last Five Years – Regulatory Basis (Schedule 5) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The Schedule of Expenditures of Federal Awards (Schedule 2), Schedule of Findings and Questioned Costs (Schedule 3) and Federal Award Programs – Summary Schedule of Prior Audit Findings (Schedule 4) have been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole. The Schedule of Capital Assets (Schedule 1) and the Schedule of Selected Information for the Last Five Years – Regulatory Basis (Schedule 5) have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on them.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas  
October 22, 2009  
EDSD04108

Sen. Bobby L. Glover  
Senate Co-Chair  
Rep. Johnny Hoyt  
House Co-Chair  
Sen. Bill Pritchard  
Senate Co-Vice Chair  
Rep. Beverly Pyle  
House Co-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*

Dermott Special School District 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 Dermott Special School District (the "District"), as of and for the year ended June 30, 2008, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated October 22, 2009. 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, 2008, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2008-1 and 2008-2 in the accompanying Schedule of Findings and Questioned Costs to be material weaknesses.

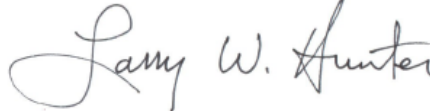
Compliance and Other Matters

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

The District's response to the findings 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 it.

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 Arkansas Code Annotated § 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  
October 22, 2009

**Sen. Bobby L. Glover**  
Senate Co-Chair  
**Rep. Johnny Hoyt**  
House Co-Chair  
**Sen. Bill Pritchard**  
Senate Co-Vice Chair  
**Rep. Beverly Pyle**  
House Co-Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Dermott Special School District and School Board Members  
Legislative Joint Auditing Committee

#### Compliance

We have audited the compliance of the Dermott Special School District (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. 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 2008-3.

#### 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 our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

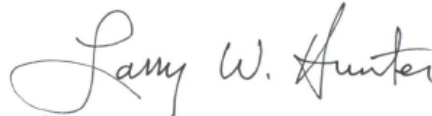
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2008-3 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. We did not consider the deficiency described in the accompanying Schedule of Findings and Questioned Costs to be a material weakness.

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 it.

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 Arkansas Code Annotated § 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  
October 22, 2009



DERMOTT SPECIAL SCHOOL DISTRICT  
 CHICOT COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2008

Exhibit A

	Governmental Funds		
	Major		Fiduciary Fund Types
	General	Special Revenue	
<b>ASSETS</b>			
Cash	\$ 1,211,889	\$ 305,044	\$ 15,534
Investments	355,866		
Accounts receivable	25	78,003	
Property taxes receivable	1,804		
Due from other funds		120	
Deposit with paying agent	4,573		
Accrued interest	797		
	<u>1,574,954</u>	<u>383,167</u>	<u>15,534</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,574,954</u>	<u>\$ 383,167</u>	<u>\$ 15,534</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable and accrued liabilities	\$ 16,373	\$ 589	\$ 1,974
Due student groups			13,560
Due to other funds	120		
Total Liabilities	<u>16,493</u>	<u>589</u>	<u>15,534</u>
Fund Balances:			
Reserved:			
Debt service	4,573		
Unreserved:			
Undesignated	1,553,888	382,578	
Total Fund Balances	<u>1,558,461</u>	<u>382,578</u>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,574,954</u>	<u>\$ 383,167</u>	<u>\$ 15,534</u>

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

DERMOTT SPECIAL SCHOOL DISTRICT  
 CHICOT COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2008

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 1,047,138		
State assistance	4,207,832	\$ 3,090	
Federal assistance		1,424,019	
Activity revenues	44,744		
Meal sales		24,774	
Investment income	35,158		
Other revenues	76,474	23,782	
<b>TOTAL REVENUES</b>	<b>5,411,346</b>	<b>1,475,665</b>	
<b>EXPENDITURES</b>			
Regular programs	1,970,992	14,739	
Special education	261,430	105,350	
Workforce education	162,833		
Adult/continuing education	265,021		
Compensatory education	218,268	136,677	
Other instructional programs	16,904		
Student support services	145,576	28,926	
Instructional staff support services	665,367	542,304	
General administration support services	210,377	95,082	
School administration support services	223,142		
Central services support services	77,900	16,551	
Operation and maintenance of plant services	410,402	3,463	
Student transportation services	284,776	657	
Other support services	18,592	240	
Food services operations		416,514	
Community services operations	2	58,175	
Non-programmed costs	323,304	15,724	
Activity expenditures	40,653		
Debt Service:			
Principal retirement	17,680		\$ 80,000
Interest and fiscal charges	3,562		113,606
<b>TOTAL EXPENDITURES</b>	<b>5,316,781</b>	<b>1,434,402</b>	<b>193,606</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>94,565</b>	<b>41,263</b>	<b>(193,606)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			193,606
Transfers out	(193,606)		
Proceeds of capital lease	70,450		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(123,156)</b>		<b>193,606</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(28,591)</b>	<b>41,263</b>	
<b>FUND BALANCES - JULY 1</b>	<b>1,587,052</b>	<b>341,315</b>	
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 1,558,461</b>	<b>\$ 382,578</b>	<b>\$ 0</b>

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

DERMOTT SPECIAL SCHOOL DISTRICT  
 CHICOT 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, 2008

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)	\$ 984,100	\$ 1,047,138	\$ 63,038			
State assistance	4,147,335	4,207,832	60,497	\$ 3,000	\$ 3,090	\$ 90
Federal assistance				1,293,449	1,424,019	130,570
Activity revenues	39,220	44,744	5,524			
Meal sales				19,400	24,774	5,374
Investment income	20,000	35,158	15,158			
Other revenues	36,962	76,474	39,512	1,400	23,782	22,382
<b>TOTAL REVENUES</b>	<b>5,227,617</b>	<b>5,411,346</b>	<b>183,729</b>	<b>1,317,249</b>	<b>1,475,665</b>	<b>158,416</b>
<b>EXPENDITURES</b>						
Regular programs	1,825,724	1,970,992	(145,268)	5,000	14,739	(9,739)
Special education	254,510	261,430	(6,920)	172,000	105,350	66,650
Workforce education	203,500	162,833	40,667			
Adult/continuing education	291,598	265,021	26,577			
Compensatory education	415,293	218,268	197,025	209,212	136,677	72,535
Other instructional programs	19,842	16,904	2,938			
Student support services	163,430	145,576	17,854	22,428	28,926	(6,498)
Instructional staff support services	503,449	665,367	(161,918)	490,754	542,304	(51,550)
General administration support services	165,230	210,377	(45,147)	71,910	95,082	(23,172)
School administration support services	220,585	223,142	(2,557)	26,995		26,995
Central services support services	109,650	77,900	31,750		16,551	(16,551)
Operation and maintenance of plant services	452,880	410,402	42,478	3,690	3,463	227
Student transportation services	281,085	284,776	(3,691)		657	(657)
Other support services	18,384	18,592	(208)		240	(240)
Food services operations				371,096	416,514	(45,418)
Community services operations		2	(2)		58,175	(58,175)
Non-programmed costs	346,200	323,304	22,896	32,434	15,724	16,710
Activity expenditures	36,020	40,653	(4,633)			
Debt Service:						
Principal retirement		17,680	(17,680)			
Interest and fiscal charges		3,562	(3,562)			
<b>TOTAL EXPENDITURES</b>	<b>5,307,380</b>	<b>5,316,781</b>	<b>(9,401)</b>	<b>1,405,519</b>	<b>1,434,402</b>	<b>(28,883)</b>

DERMOTT SPECIAL SCHOOL DISTRICT  
 CHICOT 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, 2008

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (79,763)	\$ 94,565	\$ 174,328	\$ (88,270)	\$ 41,263	\$ 129,533
OTHER FINANCING SOURCES (USES)						
Transfers in	2,290,181		(2,290,181)			
Transfers out	(2,453,747)	(193,606)	2,260,141			
Proceeds of capital lease	68,200	70,450	2,250			
TOTAL OTHER FINANCING SOURCES (USES)	(95,366)	(123,156)	(27,790)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(175,129)	(28,591)	146,538	\$ (88,270)	\$ 41,263	\$ 129,533
FUND BALANCES - JULY 1	1,537,558	1,587,052	49,494	291,419	341,315	49,896
FUND BALANCES - JUNE 30	\$ 1,362,429	\$ 1,558,461	\$ 196,032	\$ 203,149	\$ 382,578	\$ 179,429

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Board of Education, a six 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 Dermott Special 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:

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 Arkansas Code Annotated § 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.

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

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

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

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

F. Property Taxes

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

- If the amount of 40% pullback collected by June 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.



DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**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. Arkansas Code Annotated § 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. 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.

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**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)		
Collateralized:	\$ 100,000	\$ 100,000
Collateral held by the pledging bank or pledging bank's trust department in the District's name	1,788,233	2,146,209
Total Deposits	\$ 1,888,233	\$ 2,246,209

The above total deposits do not include cash on hand in the amount of \$100. The above total deposits include certificates of deposit of \$355,866 reported as investments and classified as nonparticipating contracts.

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$78,028 at June 30, 2008 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Federal assistance		\$ 46,688	\$ 46,688
Other	\$ 25	31,315	31,340
Totals	\$ 25	\$ 78,003	\$ 78,028

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2008:

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, 2008	Maturities To June 30, 2008
12/1/03	6/1/28	2.55 - 4.75%	\$ 2,865,000	\$ 2,565,000	\$ 300,000
7/13/04	12/1/08	5.57%	72,603	15,790	56,813
7/6/07	7/6/17	5.25%	70,450	67,727	2,723
Totals			\$ 3,008,053	\$ 2,648,517	\$ 359,536

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**4: COMMITMENTS (Continued)**

Long-term Debt Issued and Outstanding (Continued)

Changes in Long-term Debt

	Balance July 1, 2007	Issued	Retired	Balance June 30, 2008
Bonds payable	\$ 2,645,000		\$ 80,000	\$ 2,565,000
Capital leases	30,747	\$ 70,450	17,680	83,517
<b>Totals</b>	<b>\$ 2,675,747</b>	<b>\$ 70,450</b>	<b>\$ 97,680</b>	<b>\$ 2,648,517</b>

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

Year Ended June 30, 2008	Principal	Interest	Total
2009	\$ 106,453	\$ 114,709	\$ 221,162
2010	90,964	110,299	201,263
2011	96,282	106,751	203,033
2012	101,616	102,997	204,613
2013	106,968	99,035	206,003
2014-2018	591,234	428,935	1,020,169
2019-2023	690,000	297,703	987,703
2024-2028	865,000	125,175	990,175
<b>Totals</b>	<b>\$ 2,648,517</b>	<b>\$ 1,385,604</b>	<b>\$ 4,034,121</b>

Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2008
Four copiers and three duplicators	\$ 72,603
Bluebird Vision 54 passenger school bus	70,450
<b>Total</b>	<b>\$ 143,053</b>
	<u>June 30, 2008</u>
Total Minimum Lease Payments	\$ 103,550
Less: Amount Representing Interest	20,033
Total Present Value of Net Minimum Lease Payments	<u>\$ 83,517</u>

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The accounts payable and accrued liabilities balance of \$18,936 at June 30, 2008 was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	General	Special Revenue		
Vendor payables	\$ 15,649	\$ 589	\$ 1,974	\$ 18,212
Salaries payable	724			724
Totals	<u>\$ 16,373</u>	<u>\$ 589</u>	<u>\$ 1,974</u>	<u>\$ 18,936</u>

**6: INTERFUND TRANSFERS**

The District transferred \$193,606 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, 2008, 2007 and 2006 were \$452,234, \$510,125 and \$494,948, 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.

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**7: RETIREMENT PLANS (Continued)**

Arkansas Public Employees Retirement System (Continued)

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, 2008, 2007 and 2006 were \$361, \$331 and \$321, respectively, equal to the required contributions for each year.

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

ADDITIONS	
Donations	\$ 1,000
DEDUCTIONS	
Scholarships	1,000
	<hr/>
CHANGE IN FUND BALANCE	0
FUND BALANCE - JULY 1	0
	<hr/>
FUND BALANCE - JUNE 30	\$ 0
	<hr/> <hr/>

**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 student accidents and catastrophic coverage and employee and board travel. 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.

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.

The District participates in the Public School Property and Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008

**10: SUBSEQUENT EVENTS**

- (a) On December 1, 2008, the District issued construction bonds of \$215,000 for constructing, refurbishing, remodeling and equipping school facilities.
- (b) On July 1, 2009, the District issued construction bonds of \$520,000 for constructing, refurbishing, remodeling and equipping school facilities.
- (c) On September 1, 2009, the District issued refunding bonds of \$2,585,000 to refund bonds dated December 1, 2003.

DERMOTT SPECIAL SCHOOL DISTRICT  
 CHICOT COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 (Unaudited)

Schedule 1

	Balance June 30, 2008
<i>Nondepreciable capital assets:</i>	
Land	\$ 303,723
<i>Depreciable capital assets:</i>	
Buildings	4,219,797
Improvements/infrastructure	279,050
Equipment	2,469,080
Total depreciable capital assets	6,967,927
Less accumulated depreciation for:	
Buildings	2,497,222
Improvements/infrastructure	157,974
Equipment	1,512,195
Total accumulated depreciation	4,167,391
Total depreciable capital assets, net	2,800,536
Capital assets, net	\$ 3,104,259

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

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	10.553	09-01	\$ 134,049
National School Lunch Program	10.555	09-01	<u>226,180</u>
TOTAL CHILD NUTRITION CLUSTER			<u>360,229</u>
<b>CCDF CLUSTER</b>			
<u>U. S. Department of Health and Human Services</u>			
Passed Through State Department of Human Services:			
Child Care and Development Block Grant	93.575	09-01	800
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	09-01	<u>2,072</u>
TOTAL CCDF CLUSTER			<u>2,872</u>
<b>OTHER PROGRAMS</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Human Services:			
Food Donation (Notes 2 and 3)	10.550	1901	<u>22,037</u>
<u>National Science Foundation</u>			
Passed Through University of Arkansas at Pine Bluff:			
Education and Human Resources	47.076	09-01	<u>413</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	09-01	561,388
Special Education - Grants to States	84.027	09-01	112,405
Safe and Drug-Free Schools and Communities - State Grants	84.186	09-01	22,549
Even Start - State Educational Agencies	84.213	09-01	63,436
State Grants for Innovative Programs	84.298	09-01	1,062
Education Technology State Grants	84.318	09-01	26,995
Reading First State Grants	84.357	09-01	76,321
Rural Education	84.358	09-01	17,753
Improving Teacher Quality State Grants	84.367	09-01	112,415
Hurricane Education Recovery	84.938	09-01	124
Total U. S. Department of Education			<u>994,448</u>
TOTAL OTHER PROGRAMS			<u>1,016,898</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,379,999</u>

The accompanying notes are an integral part of this schedule.



DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 2

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 Dermott Special School District 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 State Department of Human Services.
- Note 3: CFDA Number 10.550 pertains to food commodities distributed by USDA for use in the following categorical program: National School Lunch Program (CFDA 10.555). USDA deleted this number from the CFDA in April 2008. The audit covering the District's fiscal year beginning July 1, 2008, and future audits, will therefore identify commodity assistance by the CFDA numbers of the programs in which the commodities are used.
- Note 4: During the year ended June 30, 2008, the District received Medicaid funding of \$8,905 from the State Department of Human Services. Such payments are not considered Federal awards expended and therefore are not included in the above schedule.



DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

**MATERIAL WEAKNESSES**

2008-1. Internal Control

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

Condition: A deficiency in the internal control components of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was more than a remote likelihood that a misstatement of the District's financial statements that would be more than inconsequential would not be prevented or detected. The District has not adequately segregated financial accounting duties related to cash, investments, revenue, payroll, and non-payroll expenditures to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

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

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

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

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

Views of responsible officials and planned corrective actions: We will segregate duties to the extent possible.

2008-2. Misstatements not Detected by Internal Control System

Criteria or specific requirement: Financial accounting records should be accurate to ensure the preparation of reliable financial statements that are fairly presented in conformity with the regulatory basis of accounting.

Condition: The District did not maintain accurate financial accounting records to ensure the preparation of reliable financial statements that are fairly presented in conformity with the regulatory basis of accounting. In error, the District recorded \$80,000 of debt principal payments as interest in the other aggregate funds. The financial statements were corrected during audit fieldwork.

Context: Identification of misstatements not initially detected by the entity's internal control.

Effect: Misstatements were not detected by the District's internal control system.

Cause: Financial accounting records had not been properly monitored.

Recommendation: To achieve reliable financial reporting, the District should exercise due care to ensure all applicable expenditures of the District are properly recorded.

Views of responsible officials and planned corrective actions: The District will give more attention to coding debt service so that all financial statements are correct and amounts are in the proper place.

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 3

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

SIGNIFICANT DEFICIENCY

U. S. DEPARTMENT OF AGRICULTURE  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
CHILD NUTRITION CLUSTER - CFDA NUMBERS 10.553 AND 10.555  
PASS-THROUGH NUMBER 09-01  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2008

2008-3. Allowable Costs/Cost Principles

Criteria or specific requirement: Office of Management and Budget (OMB) Circular A-87 requires salaries charged to federal programs be supported by periodic time certifications when an employee works solely on a single federal program.

Condition: Periodic time certifications were not prepared for three employees who worked solely with the child nutrition programs.

Context: An examination of child nutrition expenditures and examination of documentation substantiating time worked by employees.

Effect: The District was unable to provide required documentation substantiating the time charged to the child nutrition programs.

Cause: Lack of internal controls and management oversight resulted in the lack of required supporting documentation pertaining to time charged to federal programs.

Recommendation: The District should prepare the periodic time certifications for all applicable employees.

Views of responsible officials and planned corrective actions: The Child Nutrition Director learned of this process at an August 2009 meeting. At this time, the District began keeping the proper time certifications on employees. This process will continue from this time forward.

DERMOTT SPECIAL SCHOOL DISTRICT  
CHICOT COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2008

Schedule 4

U. S. DEPARTMENT OF EDUCATION  
PASSED THROUGH STATE DEPARTMENT OF EDUCATION  
TITLE I GRANTS - LOCAL EDUCATIONAL AGENCIES - CFDA NUMBER 84.010  
PASS-THROUGH NUMBER 09-01  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2007

2007 - Finding 2007-2: Title I Grants - Local Educational Agencies - CFDA Number 84.010

Condition: The District issued a duplicate payment of \$29,250, to a service provider, Save Our Kids, using Title I grant funds.

Recommendation: The District should seek reimbursement from this vendor.

Current Status: The \$29,250 has not been reimbursed to the District. The Arkansas State Police has issued a warrant for the arrest of the responsible vendor. As of October 22, 2009, the responsible vendor had not been located.

DERMOTT SPECIAL SCHOOL DISTRICT  
 CHICOT COUNTY, ARKANSAS  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2008  
 (Unaudited)

	Year Ended June 30,				
	2008	2007	2006	2005	2004
<b><u>General Fund</u></b>					
Total Assets	\$ 1,574,954	\$ 1,589,241	\$ 1,595,759	\$ 1,775,359	\$ 1,585,729
Total Liabilities	16,493	2,189	20,362	31,571	46,609
Total Fund Balances	1,558,461	1,587,052	1,575,397	1,743,788	1,539,120
Total Revenues	5,411,346	5,535,510	5,517,221	5,442,411	4,387,442
Total Expenditures	5,316,781	5,327,853	5,492,587	5,217,953	4,237,252
Total Other Financing Sources (Uses)	(123,156)	(196,002)	(193,025)	(19,790)	(201,024)
<b><u>Special Revenue Fund</u></b>					
Total Assets	383,167	341,315	376,269	410,433	198,921
Total Liabilities	589			9,091	6,245
Total Fund Balances	382,578	341,315	376,269	401,342	192,676
Total Revenues	1,475,665	1,529,008	1,389,302	1,516,116	1,371,711
Total Expenditures	1,434,402	1,563,962	1,397,580	1,307,450	1,366,278
Total Other Financing Sources (Uses)			(16,795)		
<b><u>Other Aggregate Funds</u></b>					
Total Assets			100		3,717
Total Liabilities					
Total Fund Balances			100		3,717
Total Revenues			100		7,265
Total Expenditures	193,606	196,102	193,025	184,672	127,451
Total Other Financing Sources (Uses)	193,606	196,002	193,025	180,955	123,903