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SEBASTIAN COUNTY, ARKANSAS
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JUNE 30, 2009

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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

Hartford School District No. 94 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 Hartford School District No. 94 (the "District"), as of and for the year ended June 30, 2009, 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, 2009, 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, 2009, 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) and the Schedule of Selected Information for the Last Five Years – Regulatory Basis (Schedule 2) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) and the Schedule of Selected Information for the Last Five Years – Regulatory Basis (Schedule 2) 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



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

Little Rock, Arkansas
October 22, 2009
EDSD34609

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

Hartford School District No. 94 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 Hartford School District No. 94 (the "District"), as of and for the year ended June 30, 2009, 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, 2009, 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 a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

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 deficiency described below in the Audit Findings section of this report to be a significant deficiency 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, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state 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*.

AUDIT FINDINGS

MATERIAL WEAKNESS

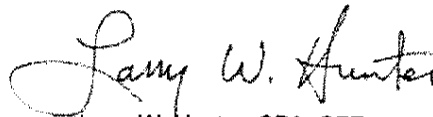
Internal control is a process consisting of five interrelated components – *control environment, risk assessment, information and communication, control activities, and monitoring*. Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control process to ensure the preparation of reliable financial statements that are fairly presented in conformity with the regulatory basis of accounting. The District, because of cost/benefit implications, has not segregated financial accounting duties to sufficiently reduce the risk that a material misstatement of the financial statements due to fraud or error will not be prevented or detected. 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. 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. 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.

Management Response: Management personnel concur with the recommendation and will implement corrective procedures to the extent possible with existing personnel.

The District's response to the finding identified in our audit is described above. 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, 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

HARTFORD SCHOOL DISTRICT NO. 94
 SEBASTIAN COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2009

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Fiduciary Fund Types
ASSETS			
Cash	\$ 361,224	\$ 43,110	\$ 9,808
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 47,449	\$ 1,623	\$ 542
Due student groups			6,357
Deferred taxes	3,891		
Total Liabilities	51,340	1,623	6,899
Fund Balances:			
Reserved:			
Scholarships			2,909
Unreserved:			
Undesignated	309,884	41,487	
Total Fund Balances	309,884	41,487	2,909
TOTAL LIABILITIES AND FUND BALANCES	\$ 361,224	\$ 43,110	\$ 9,808

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

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HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2009

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 815,468		
State assistance	2,157,175	\$ 1,657	
Federal assistance	15,294	463,864	
Activity revenues	67,832		
Meal sales		29,373	
Investment income	2,064		
Other revenues	10,656	13,741	
TOTAL REVENUES	3,068,489	508,635	
EXPENDITURES			
Regular programs	1,376,144	7,225	
Special education	182,753	56,746	
Workforce education	167,788		
Compensatory education		18,137	
Other instructional programs	57,070		
Student support services	103,828	47,761	
Instructional staff support services	193,010	201,575	
General administration support services	114,074		
School administration support services	216,121		
Central services support services	72,244		
Operation and maintenance of plant services	321,956		
Student transportation services	123,588		
Other support services	2,380		
Food services operations		192,565	
Community services operations		119	
Facilities acquisition and construction services	2,089		
Non-programmed costs		9	
Activity expenditures	67,381		
Debt Service:			
Principal retirement	36,423		\$ 35,000
Interest and fiscal charges	13,191		9,159
TOTAL EXPENDITURES	3,050,040	524,137	44,159
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	18,449	(15,502)	(44,159)
OTHER FINANCING SOURCES (USES)			
Transfers in		9,025	44,159
Transfers out	(53,184)		
TOTAL OTHER FINANCING SOURCES (USES)	(53,184)	9,025	44,159
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(34,735)	(6,477)	
FUND BALANCES - JULY 1	344,619	47,964	
FUND BALANCES - JUNE 30	\$ 309,884	\$ 41,487	\$ 0

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

HARTFORD SCHOOL DISTRICT NO. 94
 SEBASTIAN 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, 2009

	General			Special Revenue			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES							
Property taxes (including property tax relief trust distribution)	\$ 946,953	\$ 815,468	\$ (131,485)				
State assistance	2,076,941	2,157,175	80,234	\$ 1,680	\$ 1,657	\$ (23)	
Federal assistance	23,300	15,294	(8,006)	479,079	463,864	(15,215)	
Activity revenues	94,130	67,832	(26,298)				
Meal sales				34,310	29,373	(4,937)	
Investment income	4,405	2,084	(2,341)				
Other revenues	10,525	10,656	131				
TOTAL REVENUES	3,156,254	3,068,489	(87,765)	515,069	508,635	(6,434)	
EXPENDITURES							
Regular programs	1,392,391	1,376,144	16,247		7,225	(7,225)	
Special education	183,514	182,753	761	57,000	56,746	254	
Workforce education	169,147	167,788	1,359				
Compensatory education				29,720	18,137	11,583	
Other instructional programs	107,974	57,070	50,904	1,500		1,500	
Student support services	102,528	103,828	(1,300)	57,387	47,761	9,626	
Instructional staff support services	182,382	193,010	(10,628)	210,702	201,575	9,127	
General administration support services	126,850	114,074	12,776				
School administration support services	186,393	216,121	(29,728)				
Central services support services	68,333	72,244	(3,911)				
Operation and maintenance of plant services	293,516	321,956	(28,440)				
Student transportation services	123,698	123,588	110				
Other support services	2,000	2,380	(380)				
Food services operations				178,581	192,565	(13,984)	
Community services operations				962	119	843	
Facilities acquisition and construction services		2,089	(2,089)				
Non-programmed costs	93,945	67,381	26,564				
Activity expenditures					9	(9)	
Debt Service:							
Principal retirement	38,651	36,423	2,228				
Interest and fiscal charges	17,298	13,191	4,107				
TOTAL EXPENDITURES	3,088,620	3,050,040	38,580	535,852	524,137	11,715	

HARTFORD SCHOOL DISTRICT NO. 94
 SEBASTIAN 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, 2009

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 67,634	\$ 18,449	\$ (49,185)	\$ (20,783)	\$ (15,502)	\$ 5,281
OTHER FINANCING SOURCES (USES) Transfers in	1,695,408		(1,695,408)	6,000	9,025	3,025
Transfers out	(1,745,568)	(53,184)	1,692,384			
TOTAL OTHER FINANCING SOURCES (USES)	(50,160)	(53,184)	(3,024)	6,000	9,025	3,025
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	17,474	(34,735)	(52,209)	(14,783)	(6,477)	8,306
FUND BALANCES - JULY 1	367,094	344,619	(22,475)	48,990	47,964	(1,026)
FUND BALANCES - JUNE 30	\$ 394,568	\$ 309,884	\$ (74,684)	\$ 34,207	\$ 41,487	\$ 7,280

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

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HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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 Hartford 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.

HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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:

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

F. Property Taxes

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

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

HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

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. 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.

H. Budget and Budgetary Accounting

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

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

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

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	164,142	341,238
Total Deposits	\$ 414,142	\$ 591,238

HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

3: COMMITMENTS

The District was contractually obligated for the following at June 30, 2009:

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, 2009	Maturities To June 30, 2009
11/1/03	6/1/15	1.75 - 3.5%	\$ 430,000	\$ 230,000	\$ 200,000
6/16/06	5/1/11	4.95%	60,214	24,085	36,129
1/18/08	2/28/16	5.85%	100,000	89,737	10,263
1/18/08	2/28/15	5.85%	84,779	74,532	10,247
Totals			<u>\$ 674,993</u>	<u>\$ 418,354</u>	<u>\$ 256,639</u>

Changes in Long-term Debt

	Balance July 1, 2008	Issued	Retired	Balance June 30, 2009
Bonds payable	\$ 265,000		\$ 35,000	\$ 230,000
Certificates of indebtedness	36,128		12,043	24,085
Capital leases	3,870		3,870	
Notes payable	184,779		20,510	164,269
Totals	<u>\$ 489,777</u>	<u>\$ 0</u>	<u>\$ 71,423</u>	<u>\$ 418,354</u>

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

Year Ended June 30,	Principal	Interest	Total
2010	\$ 67,553	\$ 19,777	\$ 87,330
2011	69,951	15,644	85,595
2012	64,270	12,549	76,819
2013	65,670	9,849	75,519
2014	67,171	6,948	74,119
2015-2016	83,739	4,839	88,578
Totals	<u>\$ 418,354</u>	<u>\$ 69,606</u>	<u>\$ 487,960</u>

HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

4: ACCOUNTS PAYABLE

The accounts payable balance of \$ 49,614 at June 30, 2009 was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	Major			
	General	Special Revenue		
Vendor payables	\$ 47,449	\$ 1,623	\$ 542	\$ 49,614

5: INTERFUND TRANSFERS

The District transferred \$9,025 from the general fund to the special revenue fund to supplement its food services operations. Additionally, \$44,159 was transferred from the general fund to the other aggregate funds for debt related payments.

6: 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, 2009, 2008, and 2007 were \$265,051, \$286,516 and \$254,533, 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, 2009, 2008, and 2007 were \$1,023, \$989 and \$2,063, respectively, equal to the required contributions for each year.

HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 500
 DEDUCTIONS	
Scholarships	1,500
	1,500
 CHANGE IN FUND BALANCE	 (1,000)
 FUND BALANCE - JULY 1	 3,909
	3,909
 FUND BALANCE - JUNE 30	 \$ 2,909
	2,909

8: FISCAL DISTRESS STATUS

On February 29, 2008, the Arkansas Department of Education identified the District in fiscal distress. The District, in conjunction with the Arkansas Department of Education, has adopted a plan to implement effective cost reduction measures. The District was removed from fiscal distress status by the State Board of Education on October 12, 2009.

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 board legal liability. 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.

HARTFORD SCHOOL DISTRICT NO. 94
 SEBASTIAN COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Unaudited)

Schedule 1

	Balance
	<u>June 30, 2009</u>
<i>Nondepreciable capital assets:</i>	
Land	<u>\$ 72,430</u>
<i>Depreciable capital assets:</i>	
Buildings	1,995,055
Improvements/infrastructure	135,903
Equipment	807,141
Total depreciable capital assets	<u>2,938,099</u>
<i>Less accumulated depreciation for:</i>	
Buildings	1,395,740
Improvements/infrastructure	40,780
Equipment	531,123
Total accumulated depreciation	<u>1,967,643</u>
Total depreciable capital assets, net	<u>970,456</u>
Capital assets, net	<u>\$ 1,042,886</u>

HARTFORD SCHOOL DISTRICT NO. 94
SEBASTIAN COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2009
(Unaudited)

General Fund	Year Ended June 30,				
	2009	2008	2007	2006	2005
Total Assets	\$ 361,224	\$ 373,558	\$ 436,976	\$ 370,960	\$ 386,565
Total Liabilities	51,340	28,939	63,020	93,851	12,635
Total Fund Balances	309,884	344,619	373,956	277,109	373,930
Total Revenues	3,068,489	3,314,225	3,184,577	2,971,936	2,959,946
Total Expenditures	3,050,040	3,298,441	3,238,637	3,087,503	2,892,445
Total Other Financing Sources (Uses)	(53,184)	(45,121)	150,907	18,746	(84,949)
Special Revenue Fund					
Total Assets	43,110	48,990	53,852	113,413	37,154
Total Liabilities	1,623	1,026	400		
Total Fund Balances	41,487	47,964	53,452	113,413	37,154
Total Revenues	508,635	481,082	481,637	530,097	436,848
Total Expenditures	524,137	486,570	541,598	453,838	428,455
Total Other Financing Sources (Uses)	9,025				19,222
Other Aggregate Funds					
Total Assets					
Total Liabilities					
Total Fund Balances					
Total Revenues	44,159	45,121	40,943	41,468	82,717
Total Expenditures					
Total Other Financing Sources (Uses)	44,159	45,121	40,943	41,468	82,717