

Murfreesboro School District No. 16

Pike County, Arkansas

**Regulatory Basis Financial Statements
And Other Reports**

June 30, 2009

LEGISLATIVE JOINT AUDITING COMMITTEE



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PIKE 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

Murfreesboro School District No. 16 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 Murfreesboro School District No. 16 (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.

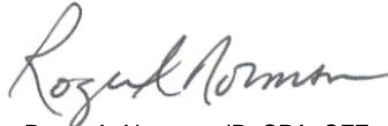
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 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 December 1, 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

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first name being the most prominent.

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

Little Rock, Arkansas
December 1, 2009
EDSD29509

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*

Murfreesboro School District No. 16 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 Murfreesboro School District No. 16 (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 December 1, 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 Finding 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

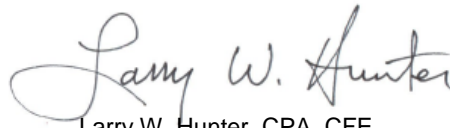
Internal control is a process consisting of five interrelated components – *control environment, risk assessment, information and communication, control activities, and monitoring*. Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control 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.

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
December 1, 2009

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2009

Exhibit A

	Governmental Funds		
	Major		Fiduciary Fund Types
	General	Special Revenue	
ASSETS			
Cash	\$ 183,860	\$ 56,171	\$ 32,408
Investments	4,272		
Accounts receivable	1,494	540	
Property taxes receivable	50,181		
TOTAL ASSETS	\$ 239,807	\$ 56,711	\$ 32,408
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 26,803	\$ 423	\$ 4,547
Due student groups			27,861
Total Liabilities	26,803	423	32,408
Fund Balances:			
Unreserved:			
Undesignated	213,004	56,288	
Total Fund Balances	213,004	56,288	
TOTAL LIABILITIES AND FUND BALANCES	\$ 239,807	\$ 56,711	\$ 32,408

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

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MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE 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)	\$ 1,209,725		
State assistance	2,468,172	\$ 1,851	
Federal assistance	8,337	391,759	
Activity revenues	146,080		
Meal sales		67,055	
Investment income	3,514		
Other revenues	24,175	33,761	
TOTAL REVENUES	3,860,003	494,426	
EXPENDITURES			
Regular programs	1,529,074	54,492	
Special education	197,803	19,815	
Workforce education	164,347		
Compensatory education	72,742	70,589	
Other instructional programs	166,827		
Student support services	149,583	91,427	
Instructional staff support services	136,180	28,166	
General administration support services	154,661		
School administration support services	213,013		
Central services support services	74,216		
Operation and maintenance of plant services	337,653		
Student transportation services	123,045		
Other support services	881		
Food services operations		220,875	
Facilities acquisition and construction services	6,116		
Activity expenditures	134,478		
Debt Service:			
Principal retirement			\$ 85,000
Interest and fiscal charges	6,164		145,736
TOTAL EXPENDITURES	3,466,783	485,364	230,736
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	393,220	9,062	(230,736)
OTHER FINANCING SOURCES (USES)			
Transfers in			230,736
Transfers out	(230,736)		
TOTAL OTHER FINANCING SOURCES (USES)	(230,736)		230,736
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	162,484	9,062	
FUND BALANCES - JULY 1	50,520	47,226	
FUND BALANCES - JUNE 30	\$ 213,004	\$ 56,288	\$ 0

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

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE COUNTY, ARKANSAS

Exhibit C

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		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,148,000	\$ 1,209,725	\$ 61,725			
State assistance	2,444,651	2,468,172	23,521	\$ 1,500	\$ 1,851	\$ 351
Federal assistance	6,000	8,337	2,337	422,637	391,759	(30,878)
Activity revenues	152,480	146,080	(6,400)			
Meal sales				73,000	67,055	(5,945)
Investment income	3,000	3,514	514			
Other revenues	424,207	24,175	(400,032)		33,761	33,761
TOTAL REVENUES	4,178,338	3,860,003	(318,335)	497,137	494,426	(2,711)
EXPENDITURES						
Regular programs	1,568,085	1,529,074	39,011	57,771	54,492	3,279
Special education	198,837	197,803	1,034	12,262	19,815	(7,553)
Workforce education	161,305	164,347	(3,042)			
Compensatory education	75,196	72,742	2,454	69,551	70,589	(1,038)
Other instructional programs	171,943	166,827	5,116			
Student support services	154,069	149,583	4,486	99,882	91,427	8,455
Instructional staff support services	139,624	136,180	3,444	34,403	28,166	6,237
General administration support services	146,892	154,661	(7,769)			
School administration support services	209,512	213,013	(3,501)			
Central services support services	74,329	74,216	113			
Operation and maintenance of plant services	316,751	337,653	(20,902)			
Student transportation services	126,632	123,045	3,587			
Other support services	4,000	881	3,119			
Food services operations				214,909	220,875	(5,966)
Community services operations				100		100
Facilities acquisition and construction services	3,821	6,116	(2,295)			
Activity expenditures	87,720	134,478	(46,758)			
Debt Service:						
Principal retirement	3,000		3,000			
Interest and fiscal charges	400,000	6,164	393,836			
TOTAL EXPENDITURES	3,841,716	3,466,783	374,933	488,878	485,364	3,514

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE 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

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 336,622	\$ 393,220	\$ 56,598	\$ 8,259	\$ 9,062	\$ 803
OTHER FINANCING SOURCES (USES)						
Transfers in	2,047,336		(2,047,336)			
Transfers out	(2,277,561)	(230,736)	2,046,825			
TOTAL OTHER FINANCING SOURCES (USES)	(230,225)	(230,736)	(511)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	106,397	162,484	56,087	8,259	9,062	803
FUND BALANCES - JULY 1	73,536	50,520	(23,016)	47,506	47,226	(280)
FUND BALANCES - JUNE 30	\$ 179,933	\$ 213,004	\$ 33,071	\$ 55,765	\$ 56,288	\$ 523

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

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MURFREESBORO SCHOOL DISTRICT NO. 16
PIKE 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 Murfreesboro 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).

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.

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE 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:

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

F. Property Taxes

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

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

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE 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

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)	\$ 250,198	\$ 250,198
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	22,241	281,240
Total Deposits	\$ 272,439	\$ 531,438

3: INVESTMENTS

Type of Investment	Fair Value
Applied Materials, Inc. stock	\$ 4,272

The District has no investment policy that would limit its investment choices or address any related risks. Any risks associated with the investments listed above would be minimal.

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

4: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$2,034 at June 30, 2009 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
State assistance	\$ 1,144		\$ 1,144
Meal sales		\$ 196	196
Other	350	344	694
Totals	\$ 1,494	\$ 540	\$ 2,034

5: 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
11/1/05	2/1/34	3 - 4.35%	\$ 3,900,000	\$ 3,525,000	\$ 375,000

Changes in Long-term Debt

	Balance July 1, 2008	Issued	Retired	Balance June 30, 2009
Bonds payable	\$ 3,610,000	\$ 0	\$ 85,000	\$ 3,525,000

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

5: COMMITMENTS (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2010	\$ 85,000	\$ 141,915	\$ 226,915
2011	90,000	139,068	229,068
2012	95,000	136,053	231,053
2013	95,000	132,680	227,680
2014	100,000	129,308	229,308
2015-2019	555,000	588,792	1,143,792
2020-2024	675,000	473,590	1,148,590
2025-2029	820,000	325,432	1,145,432
2030-2034	1,010,000	135,215	1,145,215
Totals	<u>\$ 3,525,000</u>	<u>\$ 2,202,053</u>	<u>\$ 5,727,053</u>

6: ACCOUNTS PAYABLE

The accounts payable balance of \$31,773 at June 30, 2009 was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	Major			
	General	Special Revenue		
Vendor payables	<u>\$ 26,803</u>	<u>\$ 423</u>	<u>\$ 4,547</u>	<u>\$ 31,773</u>

7: SHORT-TERM DEBT INSTRUMENTS

The District obtained a short-term loan of \$400,000 on July 22, 2008 for operating purposes. The District repaid the loan in two payments on October 24, 2008 and November 14, 2008, respectively, with interest of \$6,164.

8: INTERFUND TRANSFERS

The District transferred \$230,736 from the general fund to the other aggregate funds for debt related payments.

9: 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.

MURFREESBORO SCHOOL DISTRICT NO. 16
PIKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

9: RETIREMENT PLANS (Continued)

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 \$425,660, \$334,877 and \$302,176, 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 \$1,461, \$1,551 and \$1,443, respectively, equal to the required contributions for each year.

10: RISK MANAGEMENT

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

The District carries commercial insurance for student accidents, business trip accident and catastrophic coverage. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

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

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

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

MURFREESBORO SCHOOL DISTRICT NO. 16
PIKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

11: FISCAL DISTRESS STATUS

On April 21, 2008, the District was classified in Fiscal Distress by the State Board of Education because of its financial position. During the years ended June 30, 2009 and 2008, the District implemented effective cost reduction measures, and during the year ended June 30, 2009 a property tax millage increase was approved by voters of the District. On October 12, 2009, the State Board of Education removed the District from Fiscal Distress status.

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MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Unaudited)

Schedule 1

	<u>Balance</u> <u>June 30, 2009</u>
<i>Nondepreciable capital assets:</i>	
Land	\$ 290,546
 <i>Depreciable capital assets:</i>	
Buildings	8,576,287
Improvements/infrastructure	386,087
Equipment	998,072
Total depreciable capital assets	<u>9,960,446</u>
 Less accumulated depreciation for:	
Buildings	1,396,238
Improvements/infrastructure	146,960
Equipment	659,774
Total accumulated depreciation	<u>2,202,972</u>
 Total depreciable capital assets, net	<u>7,757,474</u>
 Capital assets, net	<u>\$ 8,048,020</u>

MURFREESBORO SCHOOL DISTRICT NO. 16
 PIKE 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	\$ 239,807	\$ 58,681	\$ 350,835	\$ 392,801	\$ 516,867
Total Liabilities	26,803	8,161	54,670	13,458	5,196
Total Fund Balances	213,004	50,520	296,165	379,343	511,671
Total Revenues	3,860,003	3,788,122	5,210,824	3,697,010	3,702,375
Total Expenditures	3,466,783	3,817,865	5,134,002	3,638,290	3,417,801
Total Other Financing Sources (Uses)	(230,736)	(215,902)	(160,000)	(191,048)	(248,585)
Special Revenue Fund					
Total Assets	56,711	47,506	33,916	73,122	80,385
Total Liabilities	423	280	69	12	
Total Fund Balances	56,288	47,226	33,847	73,110	80,385
Total Revenues	494,426	505,673	430,270	458,185	436,349
Total Expenditures	485,364	492,294	469,533	465,460	452,897
Total Other Financing Sources (Uses)					
Other Aggregate Funds					
Total Assets			12,246	672,605	179,170
Total Liabilities					
Total Fund Balances			12,246	672,605	179,170
Total Revenues					
Total Expenditures	230,736	228,148	820,359	1,522,752	294,218
Total Other Financing Sources (Uses)	230,736	215,902	160,000	2,016,187	250,000