

Nemo Vista School District No. 8

Conway County, Arkansas

**Regulatory Basis Financial Statements
And Other Reports**

June 30, 2009

LEGISLATIVE JOINT AUDITING COMMITTEE



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CONWAY 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

Nemo Vista School District No. 8 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 Nemo Vista School District No. 8 (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 April 19, 2010 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
April 19, 2010
EDSD07209

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*

Nemo Vista School District No. 8 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 Nemo Vista School District No. 8 (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 April 19, 2010. 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 referred to above and described below in the Audit Findings section of this report 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

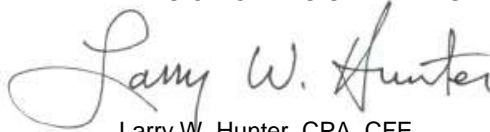
Internal control is a process consisting of five interrelated components - *control environment, risk assessment, information and communication, control activities, and monitoring*. Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control 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: The District will make every effort to address the deficiency in internal control and will implement corrective procedures to the extent possible.

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
April 19, 2010

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2009

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 649,709	\$ 25,981	\$ 2,129	\$ 40,278
Investments	711,562			
Accounts receivable	541	991	173,612	51
Property taxes receivable	294,176			
TOTAL ASSETS	\$ 1,655,988	\$ 26,972	\$ 175,741	\$ 40,329
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 14,430	\$ 1,509	\$ 500	\$ 1,467
Due student groups				38,862
Total Liabilities	14,430	1,509	500	40,329
Fund Balances:				
Reserved:				
Capital projects			175,241	
Unreserved:				
Undesignated	1,641,558	25,463		
Total Fund Balances	1,641,558	25,463	175,241	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,655,988	\$ 26,972	\$ 175,741	\$ 40,329

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

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY 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)	\$ 1,346,112		
State assistance	2,827,270	\$ 2,015	\$ 1,142,275
Federal assistance		439,805	
Activity revenues	35,189		
Meal sales		65,343	
Investment income	19,893		18,650
Other revenues	38,011	60,350	2,500
TOTAL REVENUES	4,266,475	567,513	1,163,425
EXPENDITURES			
Regular programs	1,510,889	26,257	
Special education	151,185	72,120	
Workforce education	147,646		
Compensatory education	68,864	97,013	
Other instructional programs	133,436	17,120	
Student support services	181,348	83,292	
Instructional staff support services	135,758	32,627	
General administration support services	160,856		
School administration support services	249,163		
Central services support services	52,742		
Operation and maintenance of plant services	460,706	60	
Student transportation services	245,274		
Other support services	8,659		
Food services operations	35,611	237,634	
Community services operations	3,010		
Facilities acquisition and construction services	3,361	1,509	1,340,454
Non-programmed costs	4,304		
Activity expenditures	35,143		
Debt Service:			
Principal retirement	6,972		111,300
Interest and fiscal charges	502		93,977
TOTAL EXPENDITURES	3,595,429	567,632	1,545,731
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	671,046	(119)	(382,306)
OTHER FINANCING SOURCES (USES)			
Transfers in			205,277
Transfers out	(205,277)		
Proceeds from certificates of indebtedness	29,995		
TOTAL OTHER FINANCING SOURCES (USES)	(175,282)		205,277
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	495,764	(119)	(177,029)
FUND BALANCES - JULY 1	1,145,794	25,582	352,270
FUND BALANCES - JUNE 30	\$ 1,641,558	\$ 25,463	\$ 175,241

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

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY 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)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 888,000	\$ 1,346,112	\$ 458,112			
State assistance	2,802,307	2,827,270	24,963	\$ 1,900	\$ 2,015	\$ 115
Federal assistance				457,064	439,805	(17,259)
Activity revenues		35,189	35,189			
Meal sales				63,500	65,343	1,843
Investment income	25,000	19,893	(5,107)			
Other revenues	20,300	38,011	17,711		60,350	60,350
TOTAL REVENUES	3,735,607	4,266,475	530,868	522,464	567,513	45,049
EXPENDITURES						
Regular programs	1,531,637	1,510,889	20,748	32,723	26,257	6,466
Special education	152,281	151,185	1,096	72,249	72,120	129
Workforce education	154,215	147,646	6,569			
Compensatory education	67,343	68,864	(1,521)	96,568	97,013	(445)
Other instructional programs	122,473	133,436	(10,963)	17,120	17,120	
Student support services	176,621	181,348	(4,727)	56,447	83,292	(26,845)
Instructional staff support services	168,577	135,758	32,819	33,265	32,627	638
General administration support services	159,732	160,856	(1,124)			
School administration support services	251,233	249,163	2,070			
Central services support services	65,588	52,742	12,846			
Operation and maintenance of plant services	437,010	460,706	(23,696)		60	(60)
Student transportation services	219,884	245,274	(25,390)			
Other support services	6,000	8,659	(2,659)			
Food services operations	36,037	35,611	426	223,246	237,634	(14,388)
Community services operations		3,010	(3,010)	200		200
Facilities acquisition and construction services	1,500	3,361	(1,861)		1,509	(1,509)
Non-programmed costs		4,304	(4,304)			
Activity expenditures		35,143	(35,143)			
Debt Service:						
Principal retirement	16,300	6,972	9,328			
Interest and fiscal charges	1,752	502	1,250			
TOTAL EXPENDITURES	3,568,183	3,595,429	(27,246)	531,818	567,632	(35,814)

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY 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	\$ 167,424	\$ 671,046	\$ 503,622	\$ (9,354)	\$ (119)	\$ 9,235
OTHER FINANCING SOURCES (USES)						
Transfers in	1,750,589		(1,750,589)			
Transfers out	(1,937,353)	(205,277)	1,732,076			
Proceeds from certificates of indebtedness		29,995	29,995			
TOTAL OTHER FINANCING SOURCES (USES)	(186,764)	(175,282)	11,482			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(19,340)	495,764	515,104	(9,354)	(119)	9,235
FUND BALANCES - JULY 1	1,206,838	1,145,794	(61,044)	25,899	25,582	(317)
FUND BALANCES - JUNE 30	\$ 1,187,498	\$ 1,641,558	\$ 454,060	\$ 16,545	\$ 25,463	\$ 8,918

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

NEMO VISTA SCHOOL DISTRICT NO. 8
CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Nemo Vista School District (District). There are no component units.

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund – The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Fund types include the following:

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

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.

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY 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 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.

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

NEMO VISTA SCHOOL DISTRICT NO. 8
CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

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)	\$ 541,671	\$ 546,655
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	887,988	1,299,771
Uninsured, Uncollateralized		72,401
Total Deposits	\$ 1,429,659	\$ 1,918,827

The above total deposits include certificates of deposit of \$711,562 reported as investments and classified as nonparticipating contracts.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2009, \$72,401 of the District's bank balance of \$1,918,827 was exposed to custodial risk as follows:

Uninsured and uncollateralized	<u>\$72,401</u>
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3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$175,195 at June 30, 2009 was comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types	Total
	Major		Other Aggregate		
	General	Special Revenue			
State assistance	\$ 541		\$173,612		\$ 174,153
Activity fund accounts				\$ 51	51
Meal sales		\$ 991			991
Totals	\$ 541	\$ 991	\$ 173,612	\$ 51	\$ 175,195

4: COMMITMENTS

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

A. Construction Contract

Project Name	Estimated Completion Date	Contract Balance
K-5 Elementary building	May 1, 2010	\$ 278,045

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

4: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2009	Maturities To June 30, 2009
7/25/99	7/25/09	5.65%	\$ 56,506	\$ 3,634	\$ 52,872
5/29/03	2/1/20	2 - 4.1%	1,260,000	875,000	385,000
11/1/06	2/1/36	3.8 - 4.35%	1,420,000	1,360,000	60,000
6/11/07	5/1/12	4.95%	31,500	18,900	12,600
12/16/08	11/1/13	4.95%	29,995	29,995	
Totals			<u>\$ 2,798,001</u>	<u>\$ 2,287,529</u>	<u>\$ 510,472</u>

Changes in Long-term Debt

	Balance July 1, 2008	Issued	Retired	Balance June 30, 2009
Bonds payable	\$ 2,330,000		\$ 95,000	\$ 2,235,000
Certificates of indebtedness	35,200	\$ 29,995	16,300	48,895
Capital leases	10,606		6,972	3,634
Totals	<u>\$ 2,375,806</u>	<u>\$ 29,995</u>	<u>\$ 118,272</u>	<u>\$ 2,287,529</u>

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

Year Ended June 30,	Principal	Interest	Total
2010	\$ 110,933	\$ 89,849	\$ 200,782
2011	112,299	86,048	198,347
2012	112,299	82,062	194,361
2013	115,999	78,070	194,069
2014	115,999	73,951	189,950
2015-2019	615,000	305,544	920,544
2020-2024	325,000	199,214	524,214
2025-2029	280,000	143,960	423,960
2030-2034	345,000	79,415	424,415
2035-2036	155,000	10,223	165,223
Totals	<u>\$ 2,287,529</u>	<u>\$ 1,148,336</u>	<u>\$ 3,435,865</u>

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2009

4: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding (Continued)

Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2009
Equipment	<u>\$ 56,506</u>
	<u>June 30, 2009</u>
Total Minimum Lease Payments	\$ 3,737
Less: Amount Representing Interest	<u>103</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 3,634</u>

5: ACCOUNTS PAYABLE

The accounts payable balance of \$17,906 at June 30, 2009 was comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types	Total
	Major		Other Aggregate		
	General	Special Revenue			
Vendor payables	<u>\$ 14,430</u>	<u>\$ 1,509</u>	<u>\$ 500</u>	<u>\$ 1,467</u>	<u>\$ 17,906</u>

6: INTERFUND TRANSFERS

The District transferred \$205,277 from the general fund to the other aggregate funds for debt related payments.

7: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description. The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

NEMO VISTA SCHOOL DISTRICT NO. 8
CONWAY COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

7: RETIREMENT PLAN (Continued)

Arkansas Teacher Retirement System (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 \$315,071, \$304,127 and \$286,427, respectively, equal to the required contributions for each year.

8: 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 coverage of student accidents. 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.

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Unaudited)

Schedule 1

	Balance June 30, 2009
<i>Nondepreciable capital assets:</i>	
Land	\$ 5,791
Construction in progress	4,187,195
Total nondepreciable capital assets	4,192,986
 <i>Depreciable capital assets:</i>	
Buildings	2,162,265
Improvements/infrastructure	85,860
Equipment	968,882
Total depreciable capital assets	3,217,007
 Less accumulated depreciation for:	
Buildings	906,451
Improvements/infrastructure	58,254
Equipment	560,815
Total accumulated depreciation	1,525,520
Total depreciable capital assets, net	1,691,487
Capital assets, net	\$ 5,884,473

NEMO VISTA SCHOOL DISTRICT NO. 8
 CONWAY COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2009
 (Unaudited)

Schedule 2

	Year Ended June 30,				
	2009	2008	2007	2006	2005
<u>General Fund</u>					
Total Assets	\$ 1,655,988	\$ 1,267,008	\$ 800,297	\$ 820,754	\$ 888,320
Total Liabilities	14,430	121,214	38,212	20,148	19,951
Total Fund Balances	1,641,558	1,145,794	762,085	800,606	868,369
Total Revenues	4,266,475	3,901,320	3,381,122	3,262,186	3,030,345
Total Expenditures	3,595,429	3,357,006	3,354,298	3,269,758	2,732,914
Total Other Financing Sources (Uses)	(175,282)	(160,605)	(65,345)	(60,191)	(103,572)
<u>Special Revenue Fund</u>					
Total Assets	26,972	25,899	12,517	13,475	11,604
Total Liabilities	1,509	317	797		340
Total Fund Balances	25,463	25,582	11,720	13,475	11,264
Total Revenues	567,513	514,262	461,740	461,674	430,209
Total Expenditures	567,632	500,400	463,495	452,345	441,446
Total Other Financing Sources (Uses)				(7,118)	10,000
<u>Other Aggregate Funds</u>					
Total Assets	175,741	571,101	1,236,968		
Total Liabilities	500	218,831	45,301		
Total Fund Balances	175,241	352,270	1,191,667		
Total Revenues	1,163,425	2,044,694	61,272		
Total Expenditures	1,545,731	3,044,696	332,490	98,045	118,270
Total Other Financing Sources (Uses)	205,277	160,605	1,462,885	98,045	99,481