

FORT SMITH SCHOOL DISTRICT #100

BASIC FINANCIAL STATEMENTS

JUNE 30, 2011

FORT SMITH SCHOOL DISTRICT #100

JUNE 30, 2011

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Statement of Net Assets.....	11
Statement of Activities.....	12
Balance Sheet - Governmental Funds.....	13
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	14
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	15
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities.....	16
Statement of Fiduciary Net Assets and Liabilities.....	17
Notes to Financial Statements.....	18-31
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund-Budgetary Basis.....	32
Additional Supplementary Information	
Schedule of Expenditures of Federal Awards.....	33-35
Schedule of Expenditures of State Awards.....	36
School Lunch Fund	
Schedule of Meal and Milk Sales.....	37
Schedule of School Breakfasts Served.....	38
Schedule of School Lunches Served.....	39
Additional Required Reports	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i>	40-41
Report on Compliance With Requirements That Could Have A Direct and Material Effect on Each Major Program and Internal Control Over Compliance In Accordance With OMB Circular A-133.....	42-43
Independent Auditor's Report on Compliance with Arkansas State Requirements.....	44
Schedule of Findings and Questioned Costs.....	45
Schedule of Prior Audit Findings.....	46



PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

Independent Auditor's Report

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

We have audited the accompanying basic financial statements of the governmental activities, major funds, and remaining fund information of the **Fort Smith School District #100 (the District)** as of and for the year ended **June 30, 2011**, which collectively comprise the District's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these basic 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 of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic 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 opinion.


In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, major funds, and remaining fund information of the **Fort Smith School District #100**, as of **June 30, 2011**, and the respective changes in financial position and cash flows, where applicable, of those activities and funds and the required budgetary comparison for the general fund and major special revenue fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 4, 2011, on our consideration of the District's internal control over financial reporting and 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.

1

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 10 and 32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the **Fort Smith School District #100** financial statements taken as a whole. The schedule of expenditures of state awards and school lunch fund information, are presented for the purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The schedule of expenditures of federal awards, state awards, and school lunch information are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statements themselves, and other additional procedures in accordance with auditing standard generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 4, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

**FORT SMITH PUBLIC SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS
Year Ended June 30, 2011**

This section of the Fort Smith Public School District's annual financial report provides an overall review of the District's financial performance for the fiscal year ended June 30, 2011. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements and notes to the basic financial statements to enhance their understanding of the District's financial performance.

Financial Highlights and Overall Analysis

- The District's net assets increased by \$3.6 million or 3.7%, and total revenues decreased by \$4.1 million or 2.8%, while total expenses increased by \$4.4 million or 3.3% for the year ended June 30, 2011.
- The number of total employees was substantially unchanged and increases in staff salaries were minimal, but the implementation of salary schedules in effect, along with commensurate increases in employee benefits resulted in a slight increase in overall expenses in this category. Supplemental payments resulting from the Education Jobs Act provided nonrecurring payments to all regular staff.
- Major facility projects were completed at Barling and Carnall Elementary Schools and Northside High School before the end of the fiscal year. Tornado Safe Rooms were near completion on all junior high school campuses at year's end. These projects were substantially supported with funding from FEMA. Four new construction projects were initiated near the end of the 2010-2011 fiscal year at Chaffin Junior High School, Euper Lane Elementary School, Sunnymede Elementary School and Sutton Elementary School. These projects will continue throughout 2012.
- Repairs to multiple campuses resulting from the April 9, 2008 hailstorm noted during previous audits continued throughout the 2010-2011 year. These costs were entirely offset by insurance payments, but have served to inflate several categories of both revenues and expenditures during the current fiscal year. These repairs were completed by June 30, 2011.
- Funds provided by the American Recovery and Reinvestment Act Of 2009 (ARRA) have served to increase the recorded federal revenues and expenditures during 2010-2011. These funds were received in several categories—each of which carried specific expenditure parameters. To the maximum degree possible, ARRA funds have been devoted to items which will have an extended benefit to the school district and its students. These expenditures will continue until late 2011.
- At the end of fiscal year 2009, the Board of Education approved designating \$1 million of the fund balance in anticipation of the acquisition of more than \$4 million of property adjacent to the District headquarters through a purchase and donation by PRADCO Outdoor Brands when the corporation relocates to new facilities at Chaffee Crossing. Economic conditions continue to suspend the completion of this action, and its outcome is uncertain.
- The extremely favorable bond rates have caused the District to pursue the issuance of bonded debt pursuant to both the Qualified School Construction Bond (QSCB) provisions of ARRA, the refinancing of existing eligible issues, as well as second-lien bonds to support a number of facility improvement projects which are currently underway.

The Fort Smith Public School District's overall financial position remains stable. Small increases in enrollment during the year helped to provide a steady revenue stream from the state, while increases in special need students, such as ESL, ALE & Special Education continued to outpace funds available via state and federal funds.

Using the Basic Financial Statements

The basic financial statements are comprised of two distinct series of financial statements, district-wide and fund. The differences between district-wide and fund financial statements are attributable to the accrual basis of accounting versus the modified-accrual basis of accounting and are reconciled on pages 14 and 16. Some of the significant differences between these two bases of accounting are accounting for long-term debt balances, proceeds, and repayment; and capitalization and depreciation of fixed assets.

District –Wide Financial Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets presented on page 11 includes all District's assets and liabilities, and the Statement of Activities on page 12 presents all of the current year's revenues and expenses regardless of when cash is received or paid. The two district-wide statements report the District's net assets and how they have changed during the fiscal year. Net assets and improvement or deterioration in those net assets are factors in measuring the District's financial health or position. To assess the District's overall health, several additional factors such as changes in property tax base, state legislative changes, changing enrollment demographics, and the condition of school facilities must be considered.

Fund Financial Statements

Fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major funds", not the District as a whole. These statements are presented using a current financial resource basis, which measures the District's ability to finance current expenditures, including capital outlay, from current resources. The Balance Sheet on page 13 and the Statement of Revenues, Expenditures and Changes in Fund Balance on page 15 report how services were financed in the short-term as well as what remains for future spending. Fort Smith Public Schools' major funds are the general, debt service, and capital projects funds. All other funds are presented as one column under other governmental funds.

	Governmental Activities			
	2011	2010	\$ of Change	% of Total Change
Current Assets	\$81.9	\$72.9	\$9.0	45.2%
Capital Assets	127.5	116.6	10.9	54.8%
Total Assets	209.4	189.5	19.9	100.0%
Current Liabilities	52.8	40.8	12.0	73.6%
Non-current Liabilities	55.1	50.8	4.3	26.4%
Total Liabilities	107.9	91.6	16.3	100.0%
Net Assets:				
Invested in Capital Assets, net of related debt	79.1	77.0	2.1	58.3%
Restricted Net Assets	11.0	10.2	0.8	22.2%
Unrestricted Net Assets	11.4	10.7	0.7	19.4%
Total Net Assets	\$101.5	\$97.9	\$3.6	100.0%

Financial Analysis of District–Wide Financial Statements

Net assets of the District at June 30, 2011 of \$101.5 million reflect the excess of assets over liabilities. The Statement of Net Assets presented on page 11 reflects the details, while the following is a summarized comparison for analysis.

Table 1-1 reflects improvement in the financial position of the District with a 3.7% or \$3.6 million increase in total net assets. Increases are reflected in the unrestricted assets and investment in capital assets while the restricted net assets are reduced. The net investment in capital assets of \$2.1 million represents investment by the District in new buildings, renovations and new equipment above the related debt. Restricted net assets increased slightly because of the debt service obligations associated with the new debt. The increase in undesignated net assets at the end of the period is primarily due to several facility improvement projects which increased the value of existing properties. This was due in large measure to the infusion of ARRA funds to supplement local capital funds.

The information in Table 1-2 from the Statement of Activities is in a slightly different format to allow users to see total revenues and expenses for the years ended June 30, 2011 and 2010.

	Governmental Activities			
	2011	2010	\$ of Change	% of Total Change
Program Revenues:				
Charges for services	\$1.8	\$1.8	\$0.0	0.0%
Operating grants and contributions	41.0	42.8	-1.8	43.9%
General Revenues:				
Property taxes	47.5	46.4	1.1	-26.9%
Unrestricted grants and contributions	50.3	50.2	0.1	-2.4%
Investment earnings	0.6	0.6	0.0	0.0%
Insurance recoveries	0.1	2.8	-2.7	65.9%
Miscellaneous	0.0	0.8	-0.8	19.5%
Total Revenue	141.3	145.4	-4.1	100.0%
Expenses				
Instruction	72.0	70.4	1.6	36.4%
Student and instruction support	24.6	24.1	0.5	11.4%
Administration and business support	10.3	10.1	0.2	4.5%
Operations and maintenance	14.9	13.9	1.0	22.7%
Student transportation	2.6	2.6	0.0	0.0%
Food service	6.9	6.6	0.3	6.8%
Other	6.4	5.6	0.8	18.2%
Total Expense	137.7	133.3	\$4.4	100.0%
Increase in Net Assets	3.6	12.1		
Beginning Net Assets	97.9	85.8		
Ending Net Assets	\$101.5	\$97.9		

The results of this year's operations as a whole are reported in the Statement of Activities on page 12. Total expenses are reported in the first column of this report and are reduced by specific charges and grants that directly relate to specific expense categories to yield the final amount of the District's activities that are supported by other general revenues. The District's total revenues decreased by 2.8% or \$4.1 million, and total expenses increased by 3.3% or \$4.4 million for the year ended June 30, 2011.

As reflected in the Statement of Activities, the expenses of the District's governmental activities of \$137.7 million are not all borne by the taxpayers. Of this amount, \$1.8 million was paid by patrons who used or benefited from the services rendered, (e.g., charges for school lunches) and \$41.0 million was paid through various federal and categorical state grants. Consequently, after taking into consideration these fees and grants, the net cost of the District's programs of \$94.9 million, an increase of 7.0%, was paid from general revenues. Local property taxes assessed to community taxpayers and the state formula aid provide most of the District's general revenue, with each contributing about 48% and 51% respectively. Decreases in total revenues were caused by decreased program funds of \$1.8 million and a decrease in general revenues of \$2.3 million. Inside the decrease in general revenues is a local property taxes increase of \$1.1 million and a decrease in insurance recoveries of \$2.7 million.

Additions to total expenses were incurred as a result of salary increases, additional staff, and the resulting additional employee benefits for approximately \$2.3 million. All of these increases were distributed throughout most of the functional categories. The most significant contributions to increases in total expenses came from operation and maintenance expense which included District costs of \$2.5 million for tornado shelters for each junior high school. Finally, the remaining increase of note was in other expenses, which included interest of long-term debt and depreciation.

Table 1-3 below shows the total program cost and the net program cost (after deductions for services and grant revenue) of the various functional categories of expenses for the years ended June 30, 2011 and 2010. The "net program cost" presentation reflects the portion of total program cost that is ultimately borne by the District's taxpayers. This allows the taxpayer the opportunity to compare the cost of each function to the perceived benefits received.

	Total Program Cost				Net Program Cost			
	2011	2010	\$ of Change	% of Total Change	2011	2010	\$ of Change	% of Total Change
Expenses								
Instruction	\$72.0	\$70.4	\$1.6	36.4%	\$54.7	\$54.6	\$0.1	1.6%
Student and instruction support	24.6	24.1	0.5	11.4%	12.4	13.0	-0.6	-9.7%
Administration & business support	10.3	10.1	0.2	4.5%	10.1	10.0	0.1	1.6%
Operations and maintenance	14.9	13.9	1.0	22.7%	14.7	13.8	0.9	14.5%
Student transportation	2.6	2.6	0.0	0.0%	2.1	1.7	0.4	6.5%
Food service	6.9	6.6	0.3	6.8%	0.2	0.0	0.2	3.2%
Other	6.4	5.6	0.8	18.2%	0.7	-4.4	5.1	82.3%
	\$137.7	\$133.3	\$4.4	100.0%	\$94.9	\$88.7	\$6.2	100.0%

This impact is better demonstrated in this presentation because it more clearly presents the effects of categorical funding. Instruction and student and instruction support functions show significant reductions from Total Program Cost to Net Program Cost as a direct result of the special categorical funding received. This presentation also indicates that while total program cost increased by \$4.4 million, net program costs increased by \$6.2 million. This net cost increase is caused by the other expense category which included significant revenue for facilities acquisition and construction (including \$7.1 million in ARRA funding) in 2009-2010 that was not available in 2010-2011.

Financial Analysis of Fund Financial Statements

The District uses fund accounting to control and manage money for particular purposes (e.g. dedicated taxes and bond proceeds). They are prepared using the modified accrual basis of accounting and allow the District to demonstrate its stewardship over, and accountability for, resources provided by taxpayers and other entities. These statements also allow the reader to obtain additional insight into the financial workings of the District and further assess the District's financial health on a current basis.

On June 30, 2011, the District governmental funds reported a combined fund balance of \$41.8 million, which is an increase of \$7.4 million from June 30, 2010 balances. Table 1-4 below presents the changes in the major fund balances of the District.

	Fund Balances			
	2011	2010	\$ of Change	% of Total Change
General Fund	\$10.1	\$10.3	-\$0.2	-2.7%
Debt Service Funds	10.0	9.3	0.7	9.5%
Capital Projects Funds	16.4	10.3	6.1	82.4%
Other Governmental Funds	5.3	4.5	0.8	10.8%
	<u>\$41.8</u>	<u>\$34.4</u>	<u>\$7.4</u>	<u>100.0%</u>

The increase in the Debt Service Fund is a direct result of the escrow payment required for the repayment of the Qualified Zone Academy Bonds. These payments have been escrowed over multiple years and the current balance is almost sufficient to retire the major portion of the debt in 2011-2012. Information regarding the outstanding debt and the related annual debt service requirements may be found on pages 26-28 in the notes to the financial statements.

The Capital Projects Fund Balance increased as bonds were sold to provide the necessary funds to support projects under construction or planned. Additional funding may be required to support the Facility Improvement Plan adopted by the Board of Education and submitted to the Division of Academic Facilities and Transportation.

General Fund Budgetary Highlights

Arkansas Code Annotated §6-17-914 states that each school district of the state shall prepare annually a budget of expenditures and receipts, which shall be filed with the Arkansas Department of Education (ADE) in an electronic format. Although no provision currently exists for revisions to be submitted to the ADE, management (over the course of the year), reviews the District's budget, taking into consideration unexpected changes in revenue and expenditures. The District's Board approved the original budget in a legally held meeting on August 23, 2010.

A schedule showing the General Fund's original budget compared with actual operating results (on a budgetary basis) is provided in this report on page 32.

While the District's budget anticipated a deficit originally, the actual results for the year show that the deficit was much less (\$.3 million) than planned. This favorable outcome was primarily the result of unanticipated revenues. Significant revenue variances contributing to this favorable variance were:

Local Property Taxes	\$ 313,751
Insurance Recoveries	148,919
Other Local Revenues	<u>460,095</u>
Favorable Variances	\$ 922,765

Total favorable revenue variances were offset by an unfavorable variance in State Assistance of \$2.31 million. The total favorable expenditure variance was \$3.0 million. Individually, expenditure variances were favorable in categories such as Regular programs, Special Education and Support services.

Overall, the District was successful in matching revenues to expenditures and maintaining the fiscal integrity of the budget with a modest deficit of \$0.3 million or 0.3% of actual revenues.

Capital Assets and Debt Administration

	2011	2010	\$ of Change	% of Total Change
Land	\$7.5	\$5.6	\$1.9	17.2%
Land Improvements	-0.1	0.0	-0.1	-0.9%
Construction In Progress	17.9	16.1	1.8	16.4%
Buildings and Improvements	85.2	79.6	5.6	50.9%
Furniture, Fixtures and Equipment	15.3	13.5	1.8	16.4%
Vehicles	1.7	1.7	0.0	0.0%
	<u>\$127.5</u>	<u>\$116.5</u>	<u>\$11.0</u>	<u>100.0%</u>

Capital Assets

On June 30, 2011, the District had \$127.5 million (net of accumulated depreciation) invested in a broad range of capital assets, including land, buildings, furniture, buses and vehicles, computers, and other equipment. Significant additions during the year included the following: completion of facility projects at Barling and Carnall Elementary Schools and Northside High School; projects in process including tornado shelters at all four junior high school locations. During the current fiscal year, \$16.2 million in assets were capitalized. Depreciation expense for the years ending June 30, 2011 and 2010 amounted to \$6.1 million and \$5.3 million respectively.

Long-Term Debt

On June 30, 2011, the District had outstanding long-term debt of \$68.4 million compared to \$53.3 million on June 30, 2010. Issuance of new long-term debt for \$25.8 million and increases in compensated absences for \$0.3 million comprise the additions to long-term debt. The repayments to bonded and other long-term debt made during the year were \$10.8 million, and compensated absences paid to employees were \$0.2 million.

Although it has grown significantly in the last few years, the debt of Fort Smith Public Schools continues to be at a very low level. The current long-term debt of \$68.4 million represents a significantly lower level than the ratio average for comparable Arkansas school districts. FSPS debt ratio is among the lowest of school districts in the area. The issuance of second lien bonds, Qualified Zone Academy Bonds, and ARRA approved financing tools along with restructuring of existing debt uses a mix of financing measures to effectively keep debt low while addressing facility needs.

Additional information regarding the District's long-term debt can be found in Note 7 on pages 26-28.

Economic Factors and Next Year's Budget

The 2010-2011 fiscal year marked funding during the final year of a biennial budget adopted by the Arkansas General Assembly during the 2009 regular session. The increases to the Foundation Aid approved initially were funded in accordance with the adequacy study purported to serve as the basis for Legislative action. During the 2011 session of the General Assembly, another adequacy study served as the basis for establishing funding levels for the 2011-2013 biennium. Increases of approximately 2% were provided to Foundation Aid and to most state categorical funds. Although this increase is small, it stands in sharp contrast to the funding cuts experienced by many states. It is also worthy of note that the Governor implemented provisions of the American Recovery and Reinvestment Act and the Education Jobs Funding consistent with Congressional intent and passed significant amounts of one-time funds to Arkansas Schools.

Stagnant state revenues continue to challenge state government and will make significant increases during the near future unlikely. A slow economic recovery and the residual effects of deferred needs will make school resources tight in the short term. The economic effects of recessionary cuts to local industries will likely result in a net decline in business property assessments which will not be fully offset by growth in other categories. The stagnation of property values is further exacerbated by a continuing national trend toward lower home prices.

The rate of taxation applied to assessed value continues at 36.5 mills—a rate which has been in effect since 1987. The Fort Smith Public School tax rate is lower than any district in the region and is significantly lower than other large schools in Arkansas. It is worthy of note that it will not be possible to make any significant additional facility improvements without another revenue stream.

The Board of Education adopted the 2011-2012 District Budget on August 22, 2011. Revenue and other resources are projected to be \$136.9 million, a decrease from last year of \$21 million, and expenditures are budgeted for \$165 million, an increase of \$15 million. The utilization of ARRA funds and bond proceeds make this comparison difficult. The operating budget is substantially unchanged.

An analysis of the demography of the Fort Smith Public Schools reveals a change in the composition of the student population of approximately 14,000 students which reflects a growing diversity of race and ethnicity, a precipitous increase in students for whom English is not the native language and a rapid rise in the percentage of students whose family economic condition qualifies them for subsidized school meals.

At the time these financial statements were prepared and audited, the District was aware of additional factors which could affect its financial health in the future:

- Despite the economic downturn, the trend in enrollment growth has continued at a slow, but steady pace. Current facility projects are addressing immediate and short-term future needs. The Board of Education has pursued long-term planning by selecting a site to accommodate a large secondary school in the Chaffee Crossing area and has secured an agreement to acquire the land at no cost. This positions FSPS to address long-term secondary school needs when required.
- An unknown factor in 2012 and beyond involves the impact of the mandated sequestration and spending cuts from the Federal level due to the inability of the special Congressional committee to agree on a deficit reduction plan. Although the specifics are not clear at this time, it is possible that cuts to all Federal programs may approach 8-10%. In consideration of the large Federal presence in FSPS due to the high poverty levels found in the community, this impact will be dramatic indeed.
- A possible offset to some Federal losses may be found in an increased allocation of state NSLA funds based on free/reduced meal qualifiers served in FSPS schools. These funds should be received in the 2012-2013 year and beyond.
- Each session of the Arkansas General Assembly results in a number of governance actions which affect local school operations. Many of these actions have an economic impact upon schools. District leaders must monitor these issues and take appropriate action in a timely manner.
- Thirteen District schools are identified as being in some stage of School Improvement under the Federal No Child Left Behind Act and the District is in Year Four of School Improvement. While this fact appears to be negative, it is positive that the list is substantially unchanged and one school actually improved enough to be removed from the list.. The Federal Act has not been reauthorized by Congress in a timely manner and its future is uncertain. The future course pursued by the Administration and Congress is not likely to be favorable for diverse urban school districts, although it is likely that significant changes to the format of this Federal Act will be made based on proposals in both houses of Congress. The imposition of further mandates and sanctions without accompanying Federal or State revenues make compliance with this Act a negative from both financial and educational perspectives. Many of the provisions produce no benefits in service to students but result in considerable costs to local school districts. This is especially troubling in view of the expected cuts in available Federal aid.
- Attracting and retaining high quality personnel is an important financial consideration as the competition for professional staff becomes quite intense. Keeping compensation levels commensurate with other school districts must be a continuing priority for District leaders.

Contacting the District's Financial Management Official

While this Management Discussion and Analysis is designed to provide a general overview of the financial condition and operations of the District, citizen groups, taxpayers, parents, students, investors or creditors may want further details. To obtain such details, please contact Charles Warren, Director of Financial Services or Benny L. Gooden, Superintendent of Schools at the Fort Smith Public Schools, 3205 Jenny Lind, P.O. Box 1948, Fort Smith, AR 72902 or by calling (479) 785-2501 during regular office hours or via e-mail at cwarren@fortsmithschools.org or bgooden@fortsmithschools.org.

BASIC FINANCIAL STATEMENTS

FORT SMITH SCHOOL DISTRICT #100

Statement of Net Assets

AS OF JUNE 30, 2011

Assets	Governmental Activities	
	2011	2010
Current Assets:		
Cash and temporary investments	\$ 39,409,835	\$ 32,060,387
Receivables:		
Taxes	36,226,401	35,939,972
Intergovernmental	5,004,181	1,916,287
American Recovery & Reinvestment Act	158,057	1,137,692
Other	14,309	18,105
Inventories, at cost	929,427	849,198
Prepaid items	166,198	975,689
Total Current Assets	81,908,408	72,897,330
Noncurrent Assets:		
Capital Assets:		
Land	7,518,992	5,621,988
Land improvements	1,588,776	1,588,776
Building and improvements	130,706,644	121,662,969
Furniture, fixtures, and equipment	32,526,541	29,350,877
Vehicles	5,971,110	5,674,890
Construction in process	17,878,405	16,092,596
Less accumulated depreciation	(68,676,810)	(63,430,045)
Capital Assets-Net	127,513,658	116,562,051
Total Assets	209,422,066	189,459,381
Liabilities		
Current liabilities:		
Accounts payable	2,455,700	986,294
Payroll withholdings	1,754,469	2,246,884
Due to participants/vendors	20,574	10,365
Deferred revenue, property taxes	35,928,962	35,222,765
Current portion of long-term debt	12,118,070	1,669,814
Accrued interest	412,090	477,998
Compensated absences	150,000	150,000
Total Current Liabilities	52,839,865	40,764,120
Noncurrent liabilities:		
Bonds and notes payable, net of unamortized bond discounts and issuance costs	51,450,303	47,221,262
Compensated absences	3,659,956	3,613,473
Total Noncurrent Liabilities	55,110,259	50,834,735
Total Liabilities	107,950,124	91,598,855
Net Assets		
Invested in capital assets, net of related debt	79,103,553	76,985,239
Restricted for:		
Encumbrances	1,353,847	1,369,989
Debt service	9,591,254	8,807,302
Unrestricted:		
Designated for insurance deductibles	200,000	200,000
Designated for unemployment benefits	500,000	500,000
Undesignated	10,723,288	9,997,996
Total Net Assets	\$ 101,471,942	\$ 97,860,526

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2011

	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET ASSETS	
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES 2011	2010
Governmental Activities					
Instruction:					
Regular programs	\$ 48,586,586	\$ 28,616	\$ 2,205,098	\$ (46,352,872)	\$ (45,193,423)
Special education	9,134,739	-	3,800,780	(5,333,959)	(6,166,839)
Vocational education	3,054,496	-	422,661	(2,631,835)	(2,423,641)
Adult education	1,586,511	-	1,339,249	(247,262)	(138,608)
Compensatory education	6,240,923	-	5,295,640	(945,283)	(1,081,861)
Other instructional programs	3,411,341	93,265	4,162,018	843,942	444,434
Support services:					
Student	9,101,486	-	3,002,246	(6,099,240)	(6,025,307)
Instructional	15,536,684	-	9,187,298	(6,349,386)	(6,928,905)
General administration	756,491	-	5,671	(750,820)	(766,503)
School administration	7,282,082	-	140,441	(7,141,641)	(6,987,428)
Business	2,207,843	-	11,283	(2,196,560)	(2,298,755)
Operation and maintenance of plant	14,881,266	-	155,796	(14,725,470)	(13,830,911)
Student transportation	2,601,976	58,231	411,055	(2,132,690)	(1,688,405)
Central	9,582	-	137,070	127,488	168,752
Other	102,223	-	-	(102,223)	(104,112)
Community services	679,480	253,102	584,594	158,216	151,411
Food service	6,901,842	1,316,135	5,359,032	(226,675)	(48,639)
Facilities acquisition and construction	-	-	4,497,560	4,497,560	8,662,703
Student activities	-	-	83,508	83,508	75,197
Interest and fees on long-term debt	1,863,271	-	-	(1,863,271)	(1,490,192)
Indirect cost	192,200	-	192,200	-	(271)
Depreciation - unallocated	3,571,712	-	-	(3,571,712)	(3,066,758)
Total Governmental Activities	137,702,734	1,749,349	40,993,200	(94,960,185)	(88,738,061)
Total Primary Government	\$ 137,702,734	\$ 1,749,349	\$ 40,993,200	(94,960,185)	(88,738,061)
General Revenues:					
Property taxes levied for:					
General purpose				47,496,802	46,373,574
Grants and contributions not restricted to specific programs				50,272,907	50,217,478
Investment earnings				680,277	608,032
Insurance recoveries				148,919	2,812,495
Miscellaneous				21,575	821,167
Loss on asset disposal				(71,331)	(61,365)
Transfers				22,452	29,677
Total General Revenues and Transfers				98,571,601	100,801,058
Change in Net Assets				3,611,416	12,062,997
Net Assets at Beginning of Year				97,860,526	85,797,529
Net Assets at End of Year				\$ 101,471,942	\$ 97,860,526

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Balance Sheet - Governmental Funds

AS OF JUNE 30, 2011

	General Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and temporary investments	\$ 11,708,735	\$ 10,003,344	\$ 16,069,919	\$ 1,627,837	\$ 39,409,835
Receivables:					
Taxes	36,226,401	-	-	-	36,226,401
Intergovernmental	-	-	1,218,326	3,785,855	5,004,181
American Recovery & Reinvestment Act	-	-	-	158,057	158,057
Other	14,309	-	-	-	14,309
Inventories, at cost	817,450	-	-	111,977	929,427
Prepaid items	157,182	-	-	9,016	166,198
Total Assets	\$ 48,924,077	\$ 10,003,344	\$ 17,288,245	\$ 5,692,742	\$ 81,908,408
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,152,326	\$ -	\$ 911,651	\$ 391,723	\$ 2,455,700
Payroll withholdings	1,754,469	-	-	-	1,754,469
Due to participants/vendors	20,574	-	-	-	20,574
Deferred revenue, property taxes	35,928,962	-	-	-	35,928,962
Total Liabilities	38,856,331	-	911,651	391,723	40,159,705
Fund Balances					
Nonspendable	974,632	-	-	120,993	1,095,625
Spendable:					
Restricted	-	10,003,344	16,376,594	780,387	27,160,325
Assigned	977,592	-	-	4,399,639	5,377,231
Unassigned	8,115,522	-	-	-	8,115,522
Total Fund Balances	10,067,746	10,003,344	16,376,594	5,301,019	41,748,703
Total Liabilities and Fund Balances	\$ 48,924,077	\$ 10,003,344	\$ 17,288,245	\$ 5,692,742	\$ 81,908,408

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets

AS OF JUNE 30, 2011

Total Fund Balances - Governmental Funds \$ 41,748,703

Amounts reported for governmental *activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$196,190,468 and the accumulated depreciation is \$68,676,810.

127,513,658

Long-term liabilities, including bonds payable, are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:

Bonds payable and QZABs \$ (64,613,384)

Accrued interest on bonds and QZABs (412,090)

Unamortized bond discounts 490,210

Unamortized bond issue costs 346,835

Unamortized deferred loss on refinance of debt 207,966

Compensated absences (3,809,956) (67,790,419)

Total Net Assets - Governmental Activities \$ 101,471,942

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds

FOR THE YEAR ENDED JUNE 30, 2011

	General Fund	Debt Service Fund	Capital Projects Funds	Other Governmental Funds	Total Governmental Funds
Revenues					
Local property taxes	\$ 47,496,802	\$ -	\$ -	\$ -	47,496,802
Tuition and services to other LEA	14,916	-	-	-	14,916
Meal sales	-	-	-	1,316,135	1,316,135
Interest	82,453	571,394	24,874	1,556	680,277
Contributions	108,325	-	-	-	108,325
Insurance recoveries	148,919	-	-	-	148,919
Other local revenues	602,415	-	-	253,102	855,517
State assistance	50,358,904	-	925,470	11,207,044	62,491,418
Unrestricted federal aid	21,575	-	-	-	21,575
Restricted federal aid	-	-	-	28,036,945	28,036,945
Total Revenues	98,834,309	571,394	950,344	40,814,782	141,170,829
Expenditures					
Current:					
Regular programs	45,837,061	-	-	2,401,514	48,238,575
Special education	5,953,606	-	-	3,179,399	9,133,005
Vocational education	2,576,500	-	-	397,625	2,974,125
Adult education	-	-	-	1,580,674	1,580,674
Compensatory education	564,111	-	-	5,559,872	6,123,983
Other instructional programs	555,371	-	-	2,723,653	3,279,024
Support services	38,900,445	-	-	11,729,453	50,629,898
Food service	1,217	-	-	6,835,817	6,837,034
Community services	25,484	-	-	644,875	670,359
Capital outlay	1,716,740	-	10,588,805	4,851,698	17,157,243
Debt service:					
Principal	-	1,219,502	-	-	1,219,502
Interest	24,287	1,840,329	-	-	1,864,616
Paying agent's fees	-	9,152	-	-	9,152
Total Expenditures	96,154,822	3,068,983	10,588,805	39,904,580	149,717,190
Excess of Revenues Over (Under)					
Expenditures	2,679,487	(2,497,589)	(9,638,461)	910,202	(8,546,361)
Other Financing Sources (Uses)					
Indirect cost reimbursement	192,200	-	-	(192,200)	-
Proceeds from issuance of debt	-	-	16,270,000	-	16,270,000
Bond issuance costs	-	(175,659)	-	-	(175,659)
Discount on sale of bonds	-	(252,751)	-	-	(252,751)
Operating transfers in	-	3,644,043	-	130,060	3,774,103
Operating transfers out	(3,161,855)	-	(589,796)	-	(3,751,651)
Total Other Financing Sources (Uses)	(2,969,655)	3,215,633	15,680,204	(62,140)	15,864,042
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses					
Fund Balance at Beginning of Year	10,357,914	9,285,300	10,334,851	4,452,957	34,431,022
Fund Balance at End of Year	\$ 10,067,746	\$ 10,003,344	\$ 16,376,594	\$ 5,301,019	\$ 41,748,703

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Change in Fund Balances to the Statement of Activities

FOR THE YEAR ENDED JUNE 30, 2011

Total Net Change in Fund Balances - Governmental Funds \$ 7,317,681

Amounts reported for governmental *activities* in the statement of activities are different because:

Capital outlays are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense (\$6,134,103) is exceeded by capital outlays (\$17,157,243) in the period. 11,023,140

In the statement of activities, total interest expense is adjusted for the change between current year and prior year accrued interest which is shown on the statement of net assets. The current year adjustment is a decrease to interest expense. 65,908

Because more compensated absences were accrued during the year than were paid, a net increase in other long-term liabilities occurred. This is the amount by which compensated absences earned exceeded compensated absences paid. (46,484)

Repayment of bond and note principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 1,219,502

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. (16,270,000)

Bond discounts and issue costs are reported in governmental funds expenditures. However, in the statement of activities, the cost of those assets is allocated over the life of the bonds and is included as a component of interest expense. This is the amount by which amortization of bond discounts (\$55,210) is exceeded by current year bond discounts and issue costs (\$428,210). 373,000

The statement of activities reports a loss on disposal of assets which was due to writing-off the net book value of obsolete assets of the District. The loss on disposal is calculated as follows:

Cost of assets disposed	(958,669)
Accumulated depreciation of assets disposed	887,338

Change in Net Assets of Governmental Activities \$ 3,611,416

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Statement of Fiduciary Net Assets

AS OF JUNE 30, 2011

	STUDENT ACTIVITY FUND
Assets	
Current Assets	
Cash and cash equivalents	\$ 780,868
Total Assets	\$ 780,868
Liabilities	
Due to student groups	\$ 780,868
Total Liabilities	\$ 780,868

See accompanying notes and independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity

The Fort Smith School District #100 (the District) is a political subdivision of the Arkansas Department of Education, governed by an elected seven-member school board. The statements reflect all funds and accounts directly under the control of the District. Using the criteria of financial accountability, there are no component units that should be included in the District's reporting entity.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles. The more significant accounting policies established in GAAP and used by the District are discussed below.

b. Basis of Presentation, Basis of Accounting, and Measurement Focus

The District's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

Government-wide Financial Statements - The statement of net assets and the statement of activities show information about the overall financial position and activities of the school district with the exception of the student activity fund.

These statements are reported using the economic resources measurement focus and the accrual basis of accounting. The activities of the District are generally financed through property taxes, state equalization funding, and federal and state grants. Revenues are recorded when earned and expenses are recorded at the time the liability is incurred, regardless of when the related cash flows takes place. On the accrual basis, revenues from property taxes are recognized in the fiscal year for which the taxes are levied. Revenues from grants, entitlements, and donations are recognized in the fiscal year in which eligibility requirements have been met.

The statement of activities present a comparison between direct expenses and program revenues for each each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function. Program revenues include charges to customers who purchase, use, or directly benefit from goods, services, or privileges by a given function or activity. In addition, program revenues include grant and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation, Basis of Accounting, and Measurement Focus (continued)

Fund Financial Statements - These statements provide information about the District's funds, including a separate statement for the District's fiduciary fund (the student activity fund). The emphasis of fund financial statements is on major governmental funds. Each major fund is displayed in a separate column. Any remaining funds would be aggregated and reported in a single column as other governmental funds.

The District has the following fund types:

Governmental funds are used to account for the District's general governmental activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available"). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, state assistance and federal aid are susceptible to accrual. Other receipts become measurable and available when cash is received by the District and are recognized as revenue at that time. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Governmental funds include the following fund types:

The general fund is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The debt service fund accounts for the servicing of general long-term debt not being financed by nonexpendable trust funds.

The capital projects fund accounts for the acquisition of fixed assets or construction of major capital projects not being financed by nonexpendable trust funds.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation, Basis of Accounting, and Measurement Focus (continued)

The agency fund is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

c. Assets, Liabilities and Equity

Deposits and investments

The District's cash and temporary investments are considered to be cash on hand, demand deposits, certificates of deposit and U.S. Treasury Bills. Temporary investments are stated at cost which approximates market value.

Arkansas State Statutes also authorize the District to invest in general obligation bonds of the United States, in bonds, notes, debentures, or other obligations issued by an agency of the United States government and in general obligation bonds of the State of Arkansas.

The Statutes require that deposits of school funds be in banks and secured in an amount equal to the deposits. The security must be provided by general obligation bonds of the United States, bonds, notes, debentures, or other obligations issued by an agency of the United States Government, bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations or by a bond executed by a surety company authorized to do business in the State of Arkansas. The Director of Education must approve the surety company.

Receivables and payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "interfund receivables/payable" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

Inventories

Inventories of supplies on the balance sheet are stated at average cost, while inventories of food commodities are recorded at market values. Inventory items are recorded as expenditures when they are consumed. Supplies are used for almost all functions of activity, while food commodities are used only in the food service program. Although commodities are received at no cost, their fair market value is supplied by the Arkansas Department of Human Services and recorded as inventory and donated commodities when received. Inventories also include plant maintenance, athletic, fuel, and operation supplies as well as instructional supplies.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

Fixed assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Land	N/A
Land improvements	20 years
Building and improvements	20-50 years
Furniture, fixtures, and equipment	5-20 years
Vehicles	8 years

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Comparative information

Comparative information for the 2010 fiscal year has been presented on the government-wide statements.

Compensated absences

Employees on twelve month contracts are eligible for vacation. During years one through nine of service an employee earns two weeks of vacation each year. After ten years of service, an employee earns three weeks of vacation each year. Vacation time accrues proportionately between July 1 and June 30. This vacation may be taken beginning June 1 of the year earned and should be taken not later than June 30 of the following fiscal year. Unused vacation days may be carried over to a new fiscal year, but must be approved not later than July 1 and cannot exceed twenty days. Effective July 1, 2006, the maximum accumulation of vacation days, including the final year of service with the District, will be thirty-five days.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

1. Summary of Significant Accounting Policies (continued)

Assets, Liabilities and Equity (continued)

The District provides substantially all teachers and other employees one day of paid sick leave for each month contracted or employed. Any accumulated unused sick leave is carried over to the next school year until a maximum of 120 days is accumulated. If after ten or more years of service an employee leaves the District, that employee will receive payment of a maximum of 90 days of accumulated unused sick leave. The rate of payment is the current base rate of a substitute teacher. If after five years or more of service an employee retires from the District, that employee will receive payment of a maximum of 90 days of accumulated unused sick leave. The rate of payment is the current base rate of a substitute teacher.

Fund equity

Reservations of fund balance represent amounts that are not appropriated or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Under Arkansas Act 376 of 1977, the District has elected to reimburse the State's Employment Security Division for unemployment benefits the state might pay for District employees. The District has designated a portion of the General Fund's fund balance, in the amount of \$500,000, to meet any possible future liability for unemployment benefit claims.

The District has also designated a portion of the General Fund's fund balance in the amount of \$200,000, for future liability due to increases in insurance deductibles.

2. Property Taxes

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on the third Monday of February in the following year and are considered delinquent after October 10 of that year. The County is the collecting agent for the levy and remits the collections to the District, net of a collection fee. The 2010 assessed valuation upon which taxes will be levied in 2011 is \$1,372,844,802. The tax levy by fund is as follows:

General Fund	\$ 39,958,385
2004 Debt Service	17,261,986
2000 Debt Service	<u>1,118,829</u>
Total	<u>\$ 58,339,201</u>

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

2. Property Taxes (continued)

Although an enforceable lien attaches to the property on the date of assessment, the District does not record a receivable until the levy date, since that is the date when the amount of tax is known. The receivable is recorded in two funds. The general fund to meet operations and the debt service fund to debt service requirements as allowed by Arkansas statutes. The millage rate for operations and maintenance was 25 mills, dedicated for 2004 debt service was 10.8 mills, and dedicated for 2000 debt service was .7 mills.

Property taxes are recognized as revenue in the Statement of Activities in the period that the taxes are intended to finance. The same is true for the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds, but only to the extent that they are both measurable and available.

The District recognizes as current revenue 40% of the operations and maintenance tax levy that occurs during the fiscal year, as provided for by Arkansas statutes. The debt service tax levied during the year is intended to finance the District's debt service requirements for the fiscal year beginning on July 1 of the year following the levy.

In the Statement of Net Assets and in the Balance Sheet - Governmental Funds, property taxes are presented as deferred revenues to the extent that they have been accrued or received prior to the fiscal year they are intended to finance.

At June 30, 2011 deferred revenues in the Statement of Net Assets and the Balance Sheet - Governmental Funds are recorded as \$35,928,962 which relate to property taxes that have been accrued or received, but are not considered available to finance operations of the District for the year ended June 30, 2011.

3. Stewardship, Compliance and Accountability

Budgetary Information

In accordance with Arkansas law, the District adopts an annual budget by September 15 of each fiscal year for the General, Special Revenue, Capital Projects and Debt Service Funds. The General and Special Revenue Funds budgets are prepared on the basis prescribed by State Statute. The Capital Projects and Debt Service Funds budgets are prepared on the basis of generally accepted accounting principles. Expenditures of each fund may not legally exceed available resources of that fund.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

4. Deposits and Temporary Investments

At June 30, 2011, the District had bank balances as follows:

	BOOK VALUE	BANK VALUE
Insured	\$ 500,000	\$ 500,000
Collateralized with U.S. Government and U.S. Government Agencies securities held by the pledging financial institution's agent in the District's name	<u>39,690,403</u>	<u>45,439,784</u>
Total	<u>\$ 40,190,403</u>	<u>\$ 45,939,784</u>

5. Inventories

Components of the June 30, 2011 inventories are as follows:

Maintenance supplies	\$ 216,001
Instructional supplies	520,141
Food and supplies	111,976
Athletic supplies	46,297
Fuel	<u>35,011</u>
Total	<u>\$ 929,426</u>

6. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2010 was as follows:

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Capital assets, not being depreciated				
Land	\$ 5,621,988	\$ 1,897,004	\$ -	\$ 7,518,992
Construction in progress	<u>16,092,596</u>	<u>17,878,405</u>	<u>16,092,596</u>	<u>17,878,405</u>
Total capital assets not being depreciated	<u>21,714,584</u>	<u>19,775,409</u>	<u>16,092,596</u>	<u>25,397,397</u>
Capital assets, being depreciated				
Land improvements	1,588,776	-	-	1,588,776
Buildings and improvements	121,662,969	9,043,675	-	130,706,644
Furniture, fixtures and equipment	29,530,877	3,954,533	958,869	32,526,541
Vehicles	<u>5,674,890</u>	<u>296,220</u>	<u>-</u>	<u>5,971,110</u>
Total capital assets, being depreciated	<u>158,457,512</u>	<u>13,294,428</u>	<u>958,869</u>	<u>170,793,071</u>

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

6. Changes in Capital Assets (continued)

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011
Less accumulated depreciation:				
Land improvements	1,552,380	103,297	-	1,655,677
Buildings and improvements	42,051,157	3,415,516	-	45,466,673
Furniture, fixtures and equipment	15,891,394	2,236,591	887,338	17,240,647
Vehicles	3,935,114	378,699	-	4,313,813
Total accumulated depreciation	<u>63,430,045</u>	<u>6,134,103</u>	<u>887,338</u>	<u>68,676,810</u>
Total capital assets, being depreciated, net	<u>95,027,467</u>	<u>7,160,325</u>	<u>71,531</u>	<u>102,116,261</u>
Governmental activities, capital assets, net	<u>\$ 116,742,051</u>	<u>\$ 26,935,734</u>	<u>\$ 16,164,127</u>	<u>\$ 127,513,658</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instruction:	
Regular programs	\$ 301,528
Special education	1,734
Vocational education	80,371
Adult education	5,837
Compensatory education	116,940
Other instructional programs	132,317
Support services:	
Student	21,751
Instructional	408,401
General administration	5,259
School administration	30,415
Business	76,464
Operation and maintenance of plant	967,080
Student transportation	330,783
Central	9,582
Food service	64,808
Student activities	9,121
Depreciation - unallocated	<u>3,571,712</u>
Total depreciation expense	<u>\$ 6,134,103</u>

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

7. Long-Term Debt

The District issues general obligation bonds to provide funds for the acquisition, construction, and operation of major capital facilities and to refund general obligation bonds. General obligation bonds are direct obligations and are secured by the full faith, credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue contains an option requiring bonds to be called in inverse numerical order for redemption prior to maturity.

In October 2010, the District issued \$3,255,000 in general obligation bonds. The purpose of the bond issuance was to advance refund the 2005 Series bonds that totaled \$3,150,000 as well as the interest accrued on the 2005 Series bonds and the fees associated with the bond issue. In November 2010, the District issued \$8,000,000 in general obligation bonds. In June 2011, the District issued \$6,690,000 in general obligation bonds. The purpose of the bond issuance was to advance refund the 2006 Series bonds as well as the interest accrued on the 2006 Series bonds and the fee associated with the bond issue.

On October 4, 2001, February 14, 2002, September 1, 2005, and October 2, 2007 the District issued Qualified Zone Academy Bonds (QZABs) in the amount of \$2,857,352, \$6,920,869, \$627,342, and \$3,085,000 respectively. Interest charged on the bond issue dated October 4, 2001 is .85% and will be paid annually with a series of postdated warrants until maturity on October 4, 2011. Interest charged on the bond issue dated February 14, 2002 is 0% and maturity is February 14, 2012. Interest charged on the bond issue dated September 1, 2005 is 0% and maturity is September 1, 2021. Interest charged on the bond issue dated October 2, 2007 is 1.100% and maturity is October 2, 2022.

On November 4, 2009 and December 1, 2010, the District issued Qualified School Construction Bonds (QSCBs) in the amount of \$5,125,000 and \$7,940,000 respectively. Interest is charged annually on the November 4, 2009 issued bond in the amount of 2.17%. Interest is charged annually on the December 1, 2010 issued bond in the amount of 5.125%.

The bond proceeds will be used toward the renovation of existing school facilities and the purchase of new equipment. The District is required with the first three QZAB issues and both of the QSCB issues to establish a sinking fund that will be funded on the anniversary date of the issues as prescribed in the agreements.

The following is a summary of the District's long-term debt activity for the year ended June 30, 2011:

	Balance July 1, 2010	Debt Additions	Debt Retirements	Balance June 30, 2011
General Obligation Bonds:				
Bond issue dated June 1, 2005	3,150,000	-	3,150,000	-
Bond issue dated July 6, 2006	6,585,000	-	6,585,000	-
Bond issue dated September 1, 2007	5,585,000	-	305,000	5,280,000
Bond issue dated December 1, 2008	9,315,000	-	190,000	9,125,000
Bond issue dated December 1, 2009	6,695,000	-	365,000	6,330,000
Bond issue dated October 1, 2010	-	3,255,000	45,000	3,210,000
Bond issue dated November 1, 2010	-	8,000,000	-	8,000,000
Bond issue dated June 1, 2011	-	6,690,000	-	6,690,000
Total General Obligation Bonds	31,330,000	17,945,000	10,640,000	38,635,000

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

7. Long-Term Debt (continued)

	Balance July 1, 2010	Debt Additions	Debt Retirements	Balance June 30, 2011
Other Long-term Debt				
Qualified Zone Academy Bonds dated October 4, 2001	2,857,352	-	-	2,857,352
Qualified Zone Academy Bonds dated February 14, 2002	6,920,869	-	-	6,920,869
Qualified Zone Academy Bonds dated September 1, 2005	627,342	-	-	627,342
Qualified Zone Academy Bonds dated October 2, 2007	2,702,323	-	194,502	2,507,821
Qualified School Construction Bonds dated November 4, 2009	5,125,000	-	-	5,125,000
Qualified School Construction Bonds dated December 1, 2010	-	7,940,000	-	7,940,000
Total Other Long-term Debt	18,232,886	7,940,000	194,502	25,978,384
Other Long-term liabilities				
Compensated absences	3,763,473	276,274	229,791	3,809,956
Total	\$ 53,326,359	\$ 26,161,274	\$ 11,064,293	\$ 68,423,340

Annual debt service requirements to maturity are as follows:

	Total	Principal	Interest
2012	13,815,432	12,118,070	1,697,362
2013	4,234,108	2,597,012	1,637,096
2014	4,527,532	2,929,198	1,598,334
2015	4,594,030	3,036,409	1,557,621
2016-2020	23,205,897	16,171,071	7,034,826
2021-2025	21,711,702	16,311,529	5,400,173
2026-2030	10,636,542	6,760,095	3,876,447
2031-2035	3,477,365	2,620,000	857,365
2036-2040	2,303,578	2,070,000	233,578
	\$ 88,506,186	\$ 64,613,384	\$ 23,892,802

A summary of each bond issue is as follows:

Date of Issue	Amount of Original Issue (\$)	Interest Rate Percent	Range of Payment Dues	Range of Annual Maturities (\$)
06/01/05	4,000,000	2.80/4.00	2-2008/2-2024	160,000/290,000
07/06/06	6,625,000	3.75/4.20	2-2010/2-2024	40,000/670,000
09/01/07	6,175,000	3.75/4.10	2-2008/8-2023	300,000/515,000

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

7. Long-Term Debt (continued)

A summary of each bond issue is as follows (continued):

Date of Issue	Amount of Original Issue (\$)	Interest Rate Percent	Range of Payment Dues	Range of Annual Maturities (\$)
12/01/08	9,500,000	2.75/5.50	12-2009/12-2038	185,000/555,000
12/01/09	6,980,000	2.00/3.750	8-2010/2-2024	365,000/625,000
10/01/10	3,255,000	1.00/3.00	2-2011/2-2024	45,000/290,000
11/01/10	8,000,000	2.00/3.625	6-2011/12-2030	300,000/520,000
06/01/11	6,690,000	2.00/2.75	8-2011/2-2024	185,000/675,000
QZAB 1	2,857,352	.85	10-2002/10-2011	2,857,352
QZAB 2	6,920,869	0	2/14/2012	6,920,869
QZAB 3	627,342	0	9/1/2021	627,342
QZAB 4	3,085,000	1.10	10-2008/10-2022	190,292/221,787
QSCB 11/4/2009	5,125,000	2.17	11-2010/11-2025	320,312.50
QSCB 12/1/2010	7,940,000	5.125	12-2011/12-2029	417,895

8. Bond Issue Costs and Discounts

Bond issue costs and bond discounts incurred in connection with the issuance of the 2005, 2006, 2007, 2008 2009, and 2010 Series general obligation bonds are being amortized over 15 to 30 years. Bond issue costs and bond discounts incurred in connection with the issuance of the QZAB 3 and QZAB 4 are being amortized over 16 and 15 years respectively. Bond issue costs and discounts incurred with the 2009 and 2010 QSCBs are being amortized over 15 and 20 years, respectively. Amortization of the bond issuance costs totaled \$19,752 and amortization of the bond discounts totaled \$35,458. Both amounts are included in interest and fees on long-term debt on the statement of activities. The unamortized portion of bond issuance costs and bond discounts are netted with total long-term debt.

9. Other Information

Risk Management

The District is exposed to various risks of loss from theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District has joined together with other school districts to form the Arkansas School Board Association Self-Insurance program, a public entity risk pool currently operating as a common risk management and insurance program for its members. The District pays an annual premium to the Pool for its workmen's compensation insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts.

FORT SMITH SCHOOL DISTRICT #100

Notes to Financial Statements

JUNE 30, 2011

9. Other Information (continued)

Employee Retirement Systems and Plans

Arkansas Teacher Retirement System ("System")

The District contributes to the Arkansas Teacher Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan administered by the System. Section 24-7-301 of the Arkansas Code of 1987 Annotated assigns the authority to establish and amend benefit provisions to the System's Board of Trustees. The System provides retirement, death and disability benefits and annual cost-of-living adjustments to plan members. The System issues a publicly available financial report that includes financial statements and required information. The report may be obtained by writing to ATRS, Three Capitol Mall, Little Rock, AR 72201 or by calling (501) 682-1517.

Employee Retirement Systems and Plans

The District contributes 14% of all covered employees' prior year salaries except employees whose salaries are funded by the Federal programs administered by the District. The District contributes from federal funding 14% of all covered employees' current year salaries for those employees. Under certain conditions, covered employees may contribute 6% of their salary to the plan. The authority to establish and amend contribution requirements of plan members and the District is set forth in state law and is vested in the System's Board of Trustees. The contributions from the District for the year ended June 30, 2011 were \$15,389,288 which consisted of \$11,510,502 from general funding and \$3,878,786 from federal funding. The contributions from the district for the year ended June 30, 2010 were \$14,845,938 which consisted of \$11,110,297 from general funding and \$3,735,641 from federal funding.

For certain other employees, the District contributes to the Arkansas Public Employees Retirement System ("System"), a cost-sharing multiple-employer defined benefit plan administered by the System. The System provides retirement, death, and disability benefits and annual cost-of-living adjustments to plan members. The System issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to APERS, One Capitol Mall, Little Rock, AR 72201 or by calling (501) 682-7800.

The District contributes 4% of covered employees' salaries to the plan. The District's contributions for the years ended June 30, 2011 and 2010 were \$28,776 and \$33,326, respectively.

10. Fund Balance Reporting

The District has adopted GASB 54 as part of its 2010-2011 fiscal year reporting. The intention of the GASB is to provide a more structured classification of fund balance and to improve the usefulness of fund balance reporting to the users of the District's financial statements. The reporting standard establishes a hierarchy for fund balance classifications and the constraints imposed on the uses of those resources.

FORT SMITH SCHOOL DISTRICT #100

FORT SMITH SCHOOL DISTRICT #100

JUNE 30, 2011

10. Fund Balance Reporting (continued)

GASB 54 provides for two major types of fund balances, which are nonspendable and spendable. Non-spendable fund balances are balances that cannot be spent because they are not expected to be converted to cash or they are legally or contractually required to remain intact. Examples of this classification are prepaid items, inventories, and principal (corpus) of an endowment fund. The District has inventories and prepaid items that are considered nonspendable. The District does not have any nonspendable funds related to endowments.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.

Committed: fund balances that contain self-imposed constraints of the District from its highest level of decision making authority.

Assigned: fund balances that contain self-imposed constraints of the District to be used for a particular purpose.

Unassigned: fund balance of the general fund that is not constrained for any particular purpose.

The District has classified its fund balances with the following hierarchy:

Nonspendable: The District has inventories totaling \$929,427 and prepaid items totaling \$166,198 that are classified as nonspendable.

Spendable: The District has classified the spendable fund balances as Restricted, Assigned and Unassigned and considered each to have been spent when expenditures are incurred. The District currently has no funds classified as Committed.

Restricted for State Categorical Programs, Food Service, Debt Service, and Capital Projects:

Federal Laws, Arkansas Statutes and local ordinances require that certain revenues be specifically designed for the purposes of state categorical programs, debt service, and capital projects. The funds have been included in restricted category of fund balance. The restricted fund balances totaled \$27,160,325 and represented \$780,387 in State categorical programs, \$10,003,344 in debt service, and \$16,376,594 in capital projects. The restricted balance in State categorical programs and debt service includes \$780,387 and \$7,921,401, respectively, for outstanding encumbrances.

Assigned for School Operations and Capital Projects:

The School Board has set aside certain spendable fund balance for school operations, insurance deductibles, and unemployment benefits. At year end, the assigned fund balance is \$5,377,231 of which \$4,677,231 is for school operations, \$200,000 is for insurance deductibles, and \$500,000 is for unemployment benefits. The assigned fund balance for school operations includes \$573,460 for outstanding encumbrances.

FORT SMITH SCHOOL DISTRICT #100

FORT SMITH SCHOOL DISTRICT #100

JUNE 30, 2011

10. Fund Balance Reporting (continued)

Unassigned:

The unassigned fund balance for the General Fund is \$8,115,522.

Description	Major Funds			Other Governmental Funds	Total Governmental Funds
	General Fund	Debt Service	Capital Projects		
Fund Balances:					
Nonspendable:					
Inventories	817,450	-	-	111,977	929,427
Prepaid Items	157,182	-	-	9,016	166,198
Restricted:					
Debt Service	-	10,003,344	-	-	10,003,344
Capital Projects:	-	-	8,455,193	-	8,455,193
Encumbrances	-	-	7,921,401	-	7,921,401
Categorical Programs:					
Encumbrances	-	-	-	780,387	780,387
Assigned:					
School Operations:	-	-	-	4,103,771	4,103,771
Encumbrances	277,592	-	-	295,868	573,460
Insurance deductibles	200,000	-	-	-	200,000
Unemployment benefits	500,000	-	-	-	500,000
Unassigned	<u>8,115,522</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,115,522</u>
Total Fund Balance	<u>\$ 10,067,746</u>	<u>\$ 10,003,344</u>	<u>\$ 16,376,594</u>	<u>\$ 5,301,019</u>	<u>\$ 41,748,703</u>

REQUIRED SUPPLEMENTARY INFORMATION

FORT SMITH SCHOOL DISTRICT #100

Budgetary Comparison Schedule - General Fund - Budgetary Basis

FOR THE YEAR ENDED JUNE 30, 2011

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Local property taxes	\$ 47,183,051	\$ 47,496,802	\$ 313,751
Tuition and services from other LEA	6,000	14,916	8,916
Interest	107,609	82,453	(25,156)
Contributions	65,000	108,325	43,325
Insurance recoveries	-	148,919	148,919
Other local revenues	142,320	602,415	460,095
State assistance	52,690,764	50,358,904	(2,331,860)
Unrestricted federal aid	-	21,575	21,575
Total Revenues	100,194,744	98,834,309	(1,360,435)
Expenditures			
Current:			
Regular programs	46,502,795	45,837,061	665,734
Special education	6,909,778	5,953,606	956,172
Vocational education	2,499,966	2,576,500	(76,534)
Compensatory education	565,404	564,111	1,293
Other instructional programs	675,849	555,371	120,478
Support services	40,230,210	38,927,146	1,303,064
Capital outlay	1,727,127	1,716,740	10,387
Debt service:			
Principal	-	-	-
Interest	-	24,287	(24,287)
Total Expenditures	99,111,129	96,154,822	2,956,307
Excess of Revenues Over (Under)			
Expenditures	1,083,615	2,679,487	1,595,872
Other Financing Sources (Uses)			
Indirect cost reimbursement	237,212	192,200	(45,012)
Operating transfers	(3,186,891)	(3,161,855)	25,036
Total Other Financing Sources (Uses)	(2,949,679)	(2,969,655)	(19,976)
Excess of Revenues and Other Sources Over (Under)			
Expenditures and Other Uses	(1,866,064)	(290,168)	1,575,896
Fund Balance at Beginning of Year	6,649,712	10,357,914	3,708,202
Fund Balance at End of Year	\$ 4,783,648	\$ 10,067,746	\$ 5,284,098

See accompanying notes and independent auditor's report.

ADDITIONAL SUPPLEMENTARY INFORMATION

FORT SMITH SCHOOL DISTRICT #100

Schedule of Expenditures of Federal Awards

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Education			
Adult Education, Basic Grants to States	AR Department of Education	84.002A	\$ 289,731
Title I, Part A Cluster			
E.S.E.A. Title I, Part A Title 1 Grants to Local Education Agencies	AR Department of Education	84.010	6,551,706
E.S.E.A. Title I, Part A Title 1 Grants to Local Education Agencies-Recovery Act	AR Department of Education	84.389	1,465,621
E.S.E.A. Title I, Migrant Education	AR Department of Education	84.011	224,846
Special Ed Cluster			
E.S.E.A. Title VI, Grants to States	AR Department of Education	84.027	3,328,016
Special Education, Preschool	AR Department of Education	84.173A	111,544
Special Ed, Grants to States-Recovery Act	AR Department of Education	84.391	1,286,787
Special Education, Preschool-Recovery Act	AR Department of Education	84.392	74,177
Vocational Education, Basic Grants			
Carl Perkins	AR Department of Education	84.048	273,678
Title IX Indian Education, Grants to Local Education Agencies			
	Received directly	84.060A	182,256
E.S.E.A. Title IV, Safe and Drug Free Schools	AR Department of Education	84.186A	42,143
Education For Homeless Children & Youth	AR Department of Education	84.196A	64,303
Twenty-First Century Community Learning Centers	AR Department of Education	84.287	207,417
Even Start - State Educational Agencies	AR Department of Education	84.213	90,000
Educational Technology State Grants Cluster			
Education Technology State Grants	AR Department of Education	84.318	211,000
Education Technology State Grants - Recovery Act	AR Department of Education	84.386	78,753
Reading First State Grants	AR Department of Education	84.357	19,311
English Language Acquisition Grants	AR Department of Education	84.365	355,924

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Expenditures of Federal Awards

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Education (continued)			
Improving Teacher Quality State Grants	AR Department of Education	84.367	807,292
School Improvement Grants Cluster			
School Improvement Grants	AR Department of Education	84.377	249,824
School Improvement Grants - Recovery Act	AR Department of Education	84.377	816,010
State Fiscal Stabilization Fund - Education			
State Grants-Recovery Act	AR Department of Education	84.394	1,548,366
Education Jobs Fund - Recovery Act	AR Department of Education	84.410	1,411,817
Total U.S. Department of Education			19,690,522
U.S. Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	AR Department of Education	10.553	1,036,242
National School Lunch Program - Cash Assistance	AR Department of Education	10.555	3,931,476
National School Lunch Program - Non-Cash Assistance	State Dept. of Human Services	10.555	322,857
Child and Adult Care Food Program - Cash Assistance	State Dept. of Human Services	10.558	24,252
Total U.S. Department of Agriculture			5,314,827
U.S. Department of Health and Human Services			
Temporary Assistance for Needy Families	State Dept. of Human Services	93.558	54,000
CCDF Cluster			
Child Care and Development Block Grant	State Dept. of Human Services	93.575	13,416
Child Care and Development Block Grant - Recovery Act	State Dept. of Human Services	93.575	6,800
Child Care and Development Block Grant - Recovery Act	State Dept. of Human Services	91.713	2,540
Child Care Mandatory and Matching Funds	State Dept. of Human Services	93.596	1,656
Refugee and Entrant Assistance	Received directly	93.584	2,745

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Expenditures of Federal Awards

FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Health and Human Services (continued)			
Foster Care - Title IV-E	State Dept. of Human Services	93.658	598
Foster Care - Title IV-E - Recovery Act	State Dept. of Human Services	93.658	17
Medical Assistance Program (ARMAC)	AR Department of Education	93.778	205,671
Total U.S. Department of Health and Human Services			287,443
U.S. Department of Army			
ROTC	Received directly	12.001	65,522
Total U.S. Department of Army			65,522
Department of Homeland Security			
Hazard Mitigation Grant	State of Arkansas Department of Emergency Management	97.039	2,541,247
Total U.S. Department of Homeland Security			2,541,247
Total Federal Awards			\$ 27,899,561

Notes to Schedule:

1. This schedule includes the federal awards activity of Fort Smith School District #100 and is presented on the modified-accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

SUPPLEMENTAL DISCLOSURE OF GOVERNMENTAL ASSISTANCE INFORMATION

Title XIX - Medicaid	
Medical Assistance Program (MEDICAID CATASTROPHIC)	\$ <u>257,474</u>
Total Medicaid	\$ <u><u>257,474</u></u>

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Expenditures of State Awards

FOR THE YEAR ENDED JUNE 30, 2011

<u>Grantor Agency/Program Title</u>	<u>State Revenues</u>	<u>State Expenditures</u>
Arkansas Department of Health and Human Services		
Foster Care - State	\$ 169	\$ 169
Child Care and Development Block Grant - State	14	14
Arkansas Department of Education on behalf of the Arkansas		
Early Childhood Commission		
Arkansas Better Chance	\$ 1,234,480	\$ 1,234,480
Total Expenditures of State Awards	\$ 1,234,480	\$ 1,234,480

Note A - Basis of Presentation

This schedule of expenditures of state awards includes the state program activity of Fort Smith School District #100 and is presented on the accrual basis of accounting.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Meal and Milk Sales

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Student Breakfast</u>	<u>Student Lunch</u>	<u>Adult Breakfast</u>	<u>Adult Lunch</u>	<u>Snack Bar Ala Carte Milk and Juice</u>	<u>Total</u>
Ballman	\$ 2,274	\$ 21,888	\$ 52	\$ 1,822	\$ 512	\$ 26,548
Barling	6,169	25,823	71	2,718	359	35,140
Beard	3,038	23,770	225	1,572	412	29,017
Bonneville	3,845	23,615	72	1,608	888	30,028
Carnall	705	9,181	101	1,951	460	12,398
Cavanaugh	2,678	12,498	28	530	219	15,953
Cook	6,404	61,755	71	2,154	747	71,131
Euper Lane	4,147	30,804	128	1,864	162	37,105
Fairview	3,714	28,684	345	3,385	303	36,431
Howard	932	2,830	27	900	201	4,890
Morrison	1,189	3,594	2	1,861	0	6,646
Orr	3,055	25,960	81	1,155	495	30,746
Pike	2,207	9,074	428	1,991	683	14,383
Spradling	1,725	9,609	49	2,304	27	13,714
Sunnymede	2,018	13,223	462	4,070	154	19,927
Sutton	1,186	12,906	100	2,447	1,306	17,945
Tilles	1,219	4,031	501	4,149	240	10,140
Trusty	1,192	4,955	151	1,479	216	7,993
Woods	3,069	47,645	138	1,821	266	52,939
Belle Point	324	1,205	361	1,481	38	3,409
Chaffin	1,535	13,592	60	3,746	111,530	130,463
Darby	351	9,056	291	6,599	30,192	46,489
Kimmons	895	8,996	273	5,040	49,354	64,558
Ramsey	2,055	19,831	12	5,053	169,362	196,313
Northside	1,002	13,336	52	4,498	134,893	153,781
Southside	1,433	10,706	1,865	9,015	163,280	186,299
Totals	\$ 58,361	\$ 448,567	\$ 5,946	\$ 75,213	\$ 666,299	\$ 1,254,386

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of School Breakfasts Served

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Student Free</u>	<u>Student Reduced</u>	<u>Student Paid</u>	<u>Adult Paid</u>	<u>Total</u>
Ballman	13,557	1,291	1,887	26	16,761
Barling	18,703	3,259	5,191	34	27,187
Beard	11,925	1,449	2,603	108	16,085
Bonneville	16,096	1,959	3,258	35	21,348
Carnall	13,761	931	424	56	15,172
Cavanaugh	12,520	1,470	2,237	13	16,240
Cook	13,628	2,733	5,584	35	21,980
Euper Lane	15,578	1,772	3,615	63	21,028
Fairview	41,344	3,178	2,744	164	47,430
Howard	29,660	1,852	375	13	31,900
Morrison	18,552	1,943	606	1	21,102
Orr	15,271	2,383	2,340	40	20,034
Pike	43,101	3,283	1,216	213	47,813
Spradling	34,777	2,756	898	19	38,450
Sunnymede	45,525	2,934	1,138	231	49,828
Sutton	21,691	1,790	642	48	24,171
Tilles	39,463	2,234	376	238	42,311
Trusty	24,574	1,324	795	75	26,768
Woods	7,886	1,530	2,610	69	12,095
Belle Point	5,282	516	170	143	6,111
Chaffin	10,562	1,004	1,234	30	12,830
Darby	16,673	649	156	16	17,494
Kimmons	28,205	1,159	549	20	29,933
Ramsey	13,423	1,926	1,477	6	16,832
Northside	24,020	1,478	559	24	26,081
Southside	7,174	612	1,249	28	9,063
Totals	542,951	47,415	43,933	1,748	636,047

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of School Lunches Served

FOR THE YEAR ENDED JUNE 30, 2011

	<u>Student Free</u>	<u>Student Reduced</u>	<u>Student Paid</u>	<u>Adult Paid</u>	<u>Total</u>
Ballman	36,993	5,369	11,685	597	54,644
Barling	33,848	6,268	13,260	901	54,277
Beard	23,112	4,357	12,696	534	40,699
Bonneville	30,452	5,290	12,497	530	48,769
Carnall	31,937	3,696	4,536	645	40,814
Cavanaugh	20,161	3,517	7,158	175	31,011
Cook	30,339	7,883	33,238	709	72,169
Euper Lane	25,080	4,036	16,532	630	46,278
Fairview	72,285	8,856	14,572	1,117	96,830
Howard	64,252	2,869	1,492	303	68,916
Morrison	35,236	3,193	1,507	604	40,540
Orr	33,580	5,672	13,658	383	53,293
Pike	80,496	7,050	4,170	679	92,395
Spradling	64,273	7,601	3,870	743	76,487
Sunnymede	90,288	9,335	5,566	1,374	106,563
Sutton	66,529	9,183	5,654	766	82,132
Tilles	74,268	3,691	1,861	1,348	81,168
Trusty	53,897	3,006	2,431	507	59,841
Woods	20,076	5,311	26,004	563	51,954
Belle Point	9,796	876	405	471	11,548
Chaffin	28,312	4,595	4,382	828	38,117
Darby	68,930	6,044	2,873	1,468	79,315
Kimmons	92,410	7,277	2,759	1,147	103,593
Ramsey	37,772	5,392	7,142	693	50,999
Northside	96,672	9,497	5,061	674	111,904
Southside	26,595	3,544	4,064	1,466	35,669
Totals	1,247,589	143,408	219,073	19,855	1,629,925
Total Breakfasts and Lunches	1,790,540	190,823	263,006	21,603	2,265,972

See independent auditor's report.

ADDITIONAL REQUIRED REPORTS



PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

**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***

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

We have audited the financial statements of the governmental activities, major funds, and remaining fund information of the **Fort Smith School District #100** as of and for the year ended **June 30, 2011**, and have issued our report thereon dated November 4, 2011. 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 *Governmental 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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 that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the School Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 4, 2011



PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

**Report On Compliance with Requirements That Could Have a
Direct and Material effect on Each Major Program and On Internal
Control over Compliance in Accordance With OMB Circular A-133**

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

Compliance

We have audited the compliance of the **Fort Smith School District #100** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Authority's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the **Fort Smith School District #100** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the **Fort Smith School District #100** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

This report is intended solely for the information and use of the School Board, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 4, 2011



PRZYBYSZ

& ASSOCIATES

CERTIFIED PUBLIC ACCOUNTANTS

A Professional Corporation

Independent Auditor's Report On Compliance With Arkansas State Requirements

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

We have examined management's assertions, included in its representation letter dated November 4, 2011, that the **Fort Smith School District #100** substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations listed on Arkansas Department of Education form OCI 95-96 during the year ended **June 30, 2011**. As discussed in that representation letter, management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, management's assertions that **Fort Smith School District #100** complied with the aforementioned requirements for the year ended **June 30, 2011**, are fairly stated, in all material respects.

This report is intended solely for the information and used of the School Board, management, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

Przybysz & Associates

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 4, 2011

FORT SMITH SCHOOL DISTRICT #100

Schedule of Findings and Questioned Costs

FOR THE YEAR ENDED JUNE 30, 2011

Section I - Summary of Auditor's Results

1. The auditor's report expresses an unqualified opinion on the financial statements of the **Fort Smith School District #100**.
2. No significant deficiencies were disclosed during the audit of the financial statements. Accordingly, no reportable conditions are reported in the *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*.
3. No instances of noncompliance material to the financial statements of the **Fort Smith School District #100**, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the *Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133*.
5. The auditor's report on compliance for the major federal award programs for the **Fort Smith School District #100** expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule. However, there are no audit findings to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as a major program included:
 - CFDA 84.027, 84.173A, 84.391, & 84.392 - Special Education Cluster (IDEA)**
 - CFDA 84.377 & 84.388 - School Improvement Grants Cluster**
 - CFDA 84.394 - State Fiscal Stabilization Fund - Education State Grants - Recovery Act**
 - CFDA 84.410 - Education Jobs Fund**
 - CFDA 97.039 - Hazard Mitigation Grant**
8. The threshold for distinguishing between Type A and B programs was \$836,987.
9. **Fort Smith School District #100** qualified as a low-risk auditee.

Section II - Financial Statement Findings - Current Year

No findings.

Section III - Federal Award Findings and Questioned Costs

No findings.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Schedule of Prior Audit Findings

FOR THE YEAR ENDED JUNE 30, 2011

There were no prior audit findings for the year ended June 30, 2010.

See independent auditor's report.

FORT SMITH SCHOOL DISTRICT #100

Supplemental Data Sheet As Required By DHS

JUNE 30, 2011

Name: Fort Smith School District #100

Address: 3205 Jenny Lind, P.O. Box 1948, Fort Smith, AR 72902-1948

EIN Number: 71-6020978

Phone Number: (479) 785-2501

Administrative Officer: Dr. Benny Gooden

Contact Person: Charles Warren, CPA

Audit Firm: Przybysz & Associates, CPAs, P.C.

Lead Auditor: Marc Lux, CPA