

Marion School District No. 3

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2010

Marion School District No. 3
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June 30, 2010

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INDEPENDENT AUDITORS' REPORT

The School Board
Marion School District No. 3
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Marion School District No. 3 (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the District has prepared the financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2010, or the changes in financial position for the year then ended.

Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2010 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1), Schedule of Expenditures of Federal Awards (Schedule 2), as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*, Federal Award Programs - Schedule of Findings and Questioned Costs (Schedule 3) Federal Awards Programs - Summary of Schedule of Prior Audit Findings (Schedule 4), Schedule of State Assistance - ABC (Schedule 5) and Supplemental Data Sheet (Schedule 6) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The Schedule of Expenditures of Federal Awards (Schedule 2), Federal Award Programs - Schedule of Findings and Questioned Costs (Schedule 3), Federal Award Programs - Summary Schedule of Prior Audit Findings (Schedule 4), Schedule of State Assistance - ABC (Schedule 5) and Supplemental Data Sheet (Schedule 6) have been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole. The Schedule of Capital Assets (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

West Memphis, Arkansas
November 30, 2010

Jackson, Howell & Associates, PLLC

**INDEPENDENT AUDITORS' 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***

The School Board
Marion School District No. 3
Marion, Arkansas

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Marion School District No. 3, (the "District"), as of and for the year ended June 30, 2010, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated November 30, 2010. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2010, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 regulatory basis 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

West Memphis, Arkansas
November 30, 2010

Jackson, Howell & Associates, PLLC

**INDEPENDENT AUDITORS' 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**

The School Board
Marion School District No. 3
Marion, Arkansas

Compliance

We have audited the compliance of the Marion School District No. 3 (the "District") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the District 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 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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance 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 compliance that might be deficiencies, 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 Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

West Memphis, Arkansas
November 30, 2010

Jackson, Howell & Associates, PLLC

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
ARKANSAS STATE REQUIREMENTS**

The School Board
Marion School District No. 3
Marion, Arkansas

We have audited the basic financial statements of Marion School District No. 3 for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. Our audit was made in accordance with generally accepted auditing standards, *Government Auditing Standards* issued by the Comptroller General of the United States; and the provisions of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*; and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In the course of our audit, nothing came to our attention that caused us to believe there has been any lack of substantial compliance with Arkansas Code Annotated 6-1-101 and certain other financial laws or regulations designated by the Arkansas Department of Education.

West Memphis, Arkansas
November 30, 2010

Jackson, Howell & Associates, PLLC

Marion School District No. 3
Crittenden County, Arkansas
BALANCE SHEET - REGULATORY BASIS
June 30, 2010

Exhibit A

	Governmental Funds			
	Major			Fiduciary Type Funds
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$6,120,327	\$ 62,818	\$2,218,488	\$ 55,460
Investments	1,355,556	-	-	-
Accounts receivable	<u>309,732</u>	<u>649,870</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$7,785,615</u>	<u>\$712,688</u>	<u>\$2,218,488</u>	<u>\$ 55,460</u>
 LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 47,673	\$218,690	\$ 17,655	\$ -
Deferred tax collections	1,775,979	-	-	-
Due to student groups	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,460</u>
TOTAL LIABILITIES	<u>1,823,652</u>	<u>218,690</u>	<u>17,655</u>	<u>55,460</u>
 FUND BALANCES:				
Reserved:				
Capital projects	-	-	2,800,833	-
Federal expenditures	-	493,998	-	-
Unreserved:				
Undesignated	<u>5,961,963</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>5,961,963</u>	<u>493,998</u>	<u>2,800,833</u>	<u>-</u>
 TOTAL LIABILITIES AND FUND BALANCES	<u>\$7,785,615</u>	<u>\$712,688</u>	<u>\$2,818,488</u>	<u>\$ 55,460</u>

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

Marion School District No. 3
Crittenden County, Arkansas
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
For the Year Ended June 30, 2010

Exhibit B

	Major		
	General	Special Revenue	Other Aggregate
REVENUES			
Property taxes (including property tax relief distribution)	\$11,266,996	\$ -	\$ -
State assistance	19,284,791	13,456	763,843
Federal assistance	-	5,943,536	-
Activity revenues	535,400	-	-
Meal sales	-	702,205	-
Investment income	68,997	3,138	31,253
In lieu of taxes	606,685	-	-
Other revenue	323,164	15,513	72,463
TOTAL REVENUES	32,086,033	6,677,848	867,559
EXPENDITURES			
Regular programs	12,884,224	149,155	-
Special education	2,323,849	903,083	-
Workforce education	927,635	-	-
Compensatory education	10,980	1,126,440	-
Other instructional programs	713,714	-	-
Student support services	1,370,446	342,963	-
Instructional staff support	1,284,435	427,603	-
General administration support services	775,201	83,822	-
School administration support services	1,802,653	-	-
Business support services	374,458	-	-
Operation and maintenance of plant services	2,367,301	-	44,800
Student transportation services	1,414,962	105,006	-
Other support services	86,993	-	-
Food service operations	-	1,932,869	-
Community services	-	3,430	-
Non-programmed costs	-	-	-
Activity expenditures	445,951	-	-
Facilities acquisition and construction services	22,384	1,924,981	4,403,346
Debt service:			
Principal retirement	-	-	1,817,183
Interest and fiscal charges	-	-	1,364,921
TOTAL EXPENDITURES	26,805,186	6,999,352	7,630,250
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	5,280,847	(321,504)	(6,762,691)

Marion School District No. 3
Crittenden County, Arkansas
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
For the Year Ended June 30, 2010

Exhibit B

	Major		
	General	Special Revenue	Other Aggregate
OTHER FINANCING SOURCES (USES)			
Transfers in	1,776,398	1,776,398	3,366,819
Transfer out	<u>(5,143,217)</u>	<u>(1,776,398)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(3,366,819)</u>	<u>-</u>	<u>3,366,819</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 1,914,028	 (321,504)	 (3,395,872)
 FUND BALANCES - JULY 1	 <u>4,047,935</u>	 <u>815,502</u>	 <u>6,196,705</u>
 FUND BALANCES - JUNE 30	 <u>\$ 5,961,963</u>	 <u>\$ 493,998</u>	 <u>\$ 2,800,833</u>

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

Marion School District No. 3
Crittenden County, Arkansas
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
For the Year Ended June 30, 2010

	General		Exhibit C
	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
REVENUES			
Property taxes (including property tax relief distribution)	\$11,520,685	\$11,266,996	\$ (253,689)
State assistance	18,664,594	19,284,791	620,197
Federal assistance	-	-	-
Activity revenue	-	535,400	535,400
Meal sales	-	-	-
Investment income	65,000	68,997	3,997
In lieu of taxes	400,000	606,685	206,685
Other revenues	<u>328,000</u>	<u>323,164</u>	<u>(4,836)</u>
TOTAL REVENUES	30,978,279	32,086,033	1,107,754
EXPENDITURES			
Regular programs	12,833,121	12,884,224	(51,103)
Special education	2,447,464	2,323,849	123,615
Workforce education	975,030	927,635	47,395
Compensatory education	17,377	10,980	6,397
Other instructional programs	737,390	713,714	23,676
Student support services	1,335,307	1,370,446	(35,139)
Instructional staff support services	1,371,779	1,284,435	87,344
General administration support services	826,032	775,201	50,831
School administration support services	1,783,897	1,802,653	(18,756)
Business support services	375,847	374,458	1,389
Operation and maintenance of plant services	3,007,971	2,367,301	640,670
Student transportation services	1,485,298	1,414,962	70,336
Other support services	28,565	86,993	(58,428)
Food services operations	-	-	-
Community services	-	-	-
Non-programmed costs	-	-	-
Activity expenditures	-	445,951	(445,951)
Facilities acquisition and construction services	10,251	22,384	(12,133)
Debt service:			
Principal retirement	-	-	-
Interest and fiscal charges	-	-	-
TOTAL EXPENDITURES	<u>27,235,329</u>	<u>26,805,186</u>	<u>430,143</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,742,950	5,280,847	1,537,897

Special Revenue

<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
\$ -	\$ -	\$ -
-	13,456	13,456
5,563,708	5,943,536	379,828
-	-	-
-	702,205	702,205
-	3,138	3,138
-	-	-
-	15,513	15,513
<u>5,563,708</u>	<u>6,677,848</u>	<u>1,114,140</u>
117,905	149,155	(31,250)
1,139,035	903,083	235,952
-	-	-
1,188,893	1,126,440	62,453
-	-	-
300,361	342,963	(42,602)
682,547	427,603	254,944
91,350	83,822	7,528
-	-	-
-	-	-
-	-	-
20,921	105,006	(84,085)
-	-	-
5,700	1,932,869	(1,927,169)
12,500	3,430	9,070
-	-	-
-	-	-
2,238,070	1,924,981	313,089
-	-	-
-	-	-
<u>5,797,282</u>	<u>6,999,352</u>	<u>(1,202,070)</u>
(233,574)	(321,504)	(87,930)

Marion School District No. 3
Crittenden County, Arkansas
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
For the Year Ended June 30, 2010

	Exhibit C		
	General		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u> <u>Favorable</u> <u>(Unfavorable)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	14,793,812	1,776,398	13,017,414
Transfers out	<u>(18,152,812)</u>	<u>(5,143,217)</u>	<u>(13,009,595)</u>
TOTAL OTHER FINANCING			
SOURCES (USES)	<u>(3,359,000)</u>	<u>(3,366,819)</u>	<u>(7,819)</u>
EXCESS OF REVENUES AND OTHER SOURCES			
OVER (UNDER) EXPENDITURES AND			
OTHER USES	383,950	1,914,028	1,530,078
FUND BALANCES - JULY 1	<u>3,944,118</u>	<u>4,047,935</u>	<u>103,817</u>
FUND BALANCES - JUNE 30	<u>\$ 4,328,068</u>	<u>\$5,961,963</u>	<u>\$ 1,633,895</u>

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

<u>Special Revenue</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
-	1,776,398	1,776,398
-	<u>(1,776,398)</u>	<u>(1,776,398)</u>
-	-	-
(233,574)	(321,504)	(87,930)
<u>479,599</u>	<u>815,502</u>	<u>335,903</u>
<u>\$ 246,025</u>	<u>\$ 493,998</u>	<u>\$ 247,973</u>

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The District is a political subdivision of the Arkansas Department of Education, governed by an elected seven-member school board, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Marion School District (District). 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 are or should be included in the District's reporting entity.

B. Description of Funds

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

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

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

Other governmental funds consist of the following:

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

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

Fiduciary Fund types include the following:

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

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Arkansas Code Annotated 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

D. Revenue Recognition Policies

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

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Capital Assets

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

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings	50
Equipment	5 - 25
Improvements/infrastructure	20

F. Property Taxes

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

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

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

F. Property Taxes - continued

Amendment No. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Fund Balance Designations

1. Reserved fund balance - represents that portion of the fund balance which is not appropriable for expenditure or is legally segregated for a specific future use.
2. Undesignated fund balance - indicates that portion of the fund balance not reserved or designated. The undesignated fund balance in the General Fund includes restricted state money received that has not been spent by year end.

H. Budget and Budgetary Accounting

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

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

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

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	<u>9,562,649</u>	<u>11,878,811</u>
Total Deposits	<u>\$9,812,649</u>	<u>\$12,128,811</u>

The above total deposits include a certificate of deposit of \$1,355,556 reported as investments and classified as nonparticipating contracts.

3: RECEIVABLES

The receivables of \$959,602 at June 30, 2010, are as follows:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Aggregate Fund</u>
State Assistance	\$309,732	\$ -	\$ -
Federal Assistance	<u>-</u>	<u>649,870</u>	<u>-</u>
	<u>\$309,732</u>	<u>\$649,870</u>	<u>\$ -</u>

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2010:

A. Construction and Architect Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Marion Junior High School	December, 2010	\$ 37,295
Marion Middle School	June, 2013	44,756
Marion Intermediate School	June, 2013	109,725
Avondale Elementary School	June, 2011	18,900
Marion Elementary School	December, 2010	520,508
Marion Elementary School	December, 2011	<u>127,575</u>
		<u>\$858,759</u>

B. Operating Lease (noncapital leases with initial noncancellable lease terms in excess of one year).

General description of lease and leasing arrangements:

On May 13, 2009, the District executed a 60 month lease for office equipment. The agreement stipulated monthly payments of \$3,669.

1. Future minimum rental payments (aggregate) at June 30, 2010: \$176,112
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 44,028
2012	44,028
2013	44,028
2014	<u>44,028</u>
	<u>\$176,112</u>

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

4: COMMITMENTS - CONTINUED

- B. Operating Lease (noncapital leases with initial noncancellable lease terms in excess of one year) – continued

General description of lease and leasing arrangements:

On June 24, 2010, the District executed a 36 month lease for office equipment. The agreement stipulated monthly payments of \$735.

1. Future minimum rental payments (aggregate) at June 30, 2010: \$26,460
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 8,820
2012	8,820
2013	<u>8,820</u>
	<u>\$26,460</u>

General description of lease and leasing arrangements:

On June 24, 2010, the District executed a 36 month lease for office equipment. The agreement stipulated monthly payments of \$170.

1. Future minimum rental payments (aggregate) at June 30, 2010: \$6,120
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$2,040
2012	2,040
2013	<u>2,040</u>
	<u>\$6,120</u>

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

4: COMMITMENTS - CONTINUED

- B. Operating Lease (noncapital leases with initial noncancellable lease terms in excess of one year) - continued

General description of lease and leasing arrangements:

On June 24, 2010, the District executed a 36 month lease for office equipment. The agreement stipulated monthly payments of \$44.

1. Future minimum rental payments (aggregate) at June 30, 2010: \$1,584
4. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 528
2012	528
2013	<u>528</u>
	<u>\$1,584</u>

General description of lease and leasing arrangements:

On June 24, 2010, the District executed a 36 month lease for office equipment. The agreement stipulated monthly payments of \$200.

1. Future minimum rental payments (aggregate) at June 30, 2010: \$7,200
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$2,400
2012	2,400
2013	<u>2,400</u>
	<u>\$7,200</u>

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

4: COMMITMENTS - CONTINUED

B. Operating Lease (noncapital leases with initial noncancellable lease terms in excess of one year) - continued

General description of lease and leasing arrangements:

On June 29, 2010, the District executed a 36 month lease for office equipment. The agreement stipulated monthly payments of \$699.

1. Future minimum rental payments (aggregate) at June 30, 2010: \$25,164
4. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2011	\$ 8,388
2012	8,388
2013	<u>8,388</u>
	<u>\$25,164</u>

C. Long-term Debt Issued and Outstanding

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2010</u>	<u>Maturities to June 30, 2010</u>
06/01/1999	02/01/2017	3.75 - 4.50	2,559,400	1,055,000	1,504,400
05/01/2001	02/01/2017	4.00 - 4.625	592,695	320,000	272,695
09/01/2003	02/01/2012	3.25 - 3.625	2,895,000	885,000	2,010,000
11/01/2004	02/01/2017	1.70 - 3.50	3,590,000	2,105,000	1,485,000
05/01/2006	02/01/2017	4.00 - 4.25	2,770,000	1,870,000	900,000
05/01/2006	03/15/2012	4.65	633,666	229,658	404,008
11/15/2006	02/01/2036	4.00 - 4.50	17,320,000	16,280,000	1,040,000
12/01/2008	02/01/2036	3.40 - 5.10	5,650,000	5,570,000	80,000
05/01/2009	02/01/2017	1.50 - 3.00	<u>4,600,000</u>	<u>4,340,000</u>	<u>260,000</u>
	Total		<u>\$40,610,761</u>	<u>\$32,654,658</u>	<u>\$7,956,103</u>

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

4: COMMITMENTS – CONTINUED

C. Long-term Debt Issued and Outstanding - continued

Changes in Long-term debt:

	<u>Balance</u> <u>June 30, 2009</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2010</u>
Bonds payable	\$34,280,000	\$ -	\$1,855,000	\$32,425,000
Capital leases	<u>336,807</u>	<u>-</u>	<u>107,149</u>	<u>229,658</u>
Total	<u>\$34,616,807</u>	<u>\$ -</u>	<u>\$1,962,149</u>	<u>\$32,654,658</u>

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

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$2,177,190	\$1,293,445	\$3,470,635
2012	2,257,468	1,219,580	3,477,048
2013	1,935,000	1,142,844	3,077,844
2014	1,985,000	1,080,044	3,065,044
2015	2,030,000	1,013,463	3,043,463
2016-2020	6,260,000	4,093,625	10,353,625
2021-2025	3,910,000	3,203,367	7,113,367
2026-2030	4,805,000	2,283,663	7,088,663
2031-2035	5,945,000	1,125,944	7,070,944
2036-2040	<u>1,350,000</u>	<u>121,500</u>	<u>1,471,500</u>
Total	<u>\$32,654,658</u>	<u>\$16,577,475</u>	<u>\$49,232,133</u>

D. Capital Leases

The District has executed the following capital leases:

<u>Class of Property</u>	<u>Asset Balance</u> <u>June 30, 2010</u>
Vehicles (buses)	<u>\$229,657</u>
	<u>June 30, 2010</u>
Total minimum lease payments	\$243,159
Less: amount representing interest	<u>13,502</u>
Total present value of net minimum lease payment	<u>\$229,657</u>

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

5. DEBT REFUNDINGS

On May 27, 2009, the District issued refunding bonds of \$4,600,000 with interest rates from 1.25% to 3.0% to advance refund the District's Refunding Bonds, Series A, dated May 1, 2003 of \$5,648,625 with interest rates of 3.0% to 3.9%. Net bond proceeds of \$4,532,818 (after the underwriter's discount of \$33,120 and bond issuance cost of \$33,000) were remitted to an escrow agent to provide for all future debt service payments on the 2003 Series A bonds. The advance refunding of the 2003 bonds will result in debt service savings of \$179,981. The 2003 Series A bonds were called for redemption on July 1, 2009.

6: ACCOUNTS, SALARIES AND OTHER PAYABLES

The payables of \$284,018 at June 30, 2010, are as follows:

	General Fund	Special Revenue	Other Aggregate
Vendor payable	\$47,673	\$ 10,858	\$ -
Contractors and Architect Payable	-	207,832	17,655
	<u>\$47,673</u>	<u>\$218,690</u>	<u>\$17,655</u>

7: INTERFUND TRANSFERS

The following details the transfers between governmental funds for operating purposes:

	General Fund	Special Revenue	Other Aggregate
Transfers in	\$ 1,776,398	\$1,776,398	\$3,366,819
Transfers out	<u>(5,143,217)</u>	<u>(1,776,398)</u>	-
	<u>\$(3,366,819)</u>	<u>\$ -</u>	<u>\$3,366,819</u>

Transfers of \$1,776,398 in and out of the Special Fund and into the General Fund represent transactions resulting from the General Fund paying food services expenses, then getting reimbursed. Transfers of \$5,143,217 from the General Fund represent \$1,776,398 of food service expense that was later reimbursed, \$155,790 transferred to the building fund and \$3,211,029 transferred to the debt service fund.

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

8: RETIREMENT PLANS

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14%. The District's contributions to ATRS for the years ended June 30, 2010, 2009 and 2008 were \$2,828,587, \$2,538,694 and \$2,568,136 respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteachers hired before July 1, 1989. APERS, administered by a Board of Trustees provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information to APERS. That report may be obtained by writing to Arkansas Public Employee Retirement System, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. APERS has contributory and non-contributory plans. Contributory members are required by state law to contribute 6% of their salary. Each participating employer is required by state law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the years ended June 30, 2010, 2009, and 2008 were \$6,706, \$7,697 and \$8,610, respectively, equal to the required contributions for each year.

Marion School District No. 3
Crittenden County, Arkansas
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2010

9: RISK MANAGEMENT

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

The District carries commercial insurance for school board errors and omissions, business trip accident and dismemberment, and student accident coverage. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

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

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

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

10: EVENTS OCCURRING AFTER REPORT DATE

The District has evaluated events and transactions that occurred between June 30, 2010 and November 30, 2010, which is the date of the financial statements were available to be issued, for possible recognition or disclosure in the financial statements.

- (a) The Turrell School District was consolidated with the Marion School District by the Arkansas Board of Education effective July 1, 2010.
- (b) On July 1, 2010, the District issued construction bonds of \$1,560,000 for permanent financing of capital improvements at Marion Elementary and Avondale Elementary.

Marion School District No. 3
Crittenden County, Arkansas
SCHEDULE OF CAPITAL ASSETS
For the Year Ended June 30, 2010
(Unaudited)

Schedule 1

Balance
June 30, 2010

Nondepreciable capital assets:

Land	\$ 1,950,722
Construction in progress	<u>1,788,712</u>
Total nondepreciable capital assets	<u>3,739,434</u>

Depreciable capital assets:

Buildings	57,723,652
Improvements	1,974,051
Machinery and equipment	<u>9,610,940</u>
Total depreciable capital assets	<u>69,308,643</u>

Less accumulated depreciation for:

Buildings	7,703,636
Improvements	1,129,276
Machinery and equipment	<u>6,353,488</u>
Total accumulated depreciation	<u>15,186,400</u>

Total depreciable capital assets, net	<u>54,122,243</u>
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Capital assets, net	<u>\$57,861,677</u>
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Marion School District No. 3
Crittenden County, Arkansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Schedule 2

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
TITLE I CLUSTER			
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants to Local Education Agencies	84.010	18-04	\$ 804,114
ARRA - Title I Grants to Local Education Agencies, Recovery Act	84.389	18-04	<u>483,223</u>
TOTAL TITLE I CLUSTER			<u>1,287,337</u>
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education Grants to States	84.027	18-04	745,097
ARRA - Special Education Grants to States	84.391	18-04	<u>569,975</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			<u>1,315,072</u>
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed Through State Department of Human Services:			
National School Lunch Program - Non-Cash Assistance (food distribution) (Note 3)	10.555	18-04	<u>113,199</u>
Passed Through State Department of Education:			
School Breakfast Program - Cash Assistance	10.553	18-04	320,270
National School Lunch Program - Cash Assistance	10.555	18-04	<u>854,519</u>
Total Department of Education			<u>1,174,789</u>
TOTAL CHILD NUTRITION CLUSTER			<u>1,287,988</u>
OTHER PROGRAMS			
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Migrant Education State Grant Program	84.011	18-04	22,131
Title I State Agency Program for Neglected and Delinquent Children	84.013	18-04	26,780
Safe and Drug Free Schools and Communities State Grants	84.186	18-04	13,452
Education for Homeless Children and Youth	84.196	18-04	7,842
ARRA - Education for Homeless Children and Youth, Recovery Act	84.387	18-04	38,401
Improving Teacher Quality State Grants	84.367	18-04	229,422
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants Recovery Act	84.394	18-04	<u>1,838,770</u>
Total U.S. Department Education			<u>2,176,798</u>

Marion School District No. 3
Crittenden County, Arkansas
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED
For the Year Ended June 30, 2010

Schedule 2

<u>Federal Grantor/Pass-Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Amount Expenditures</u>
<u>U.S. Department Of Agriculture</u>			
Passed Through State Department of Education:			
ARRA - Child Nutrition Discretionary Grants, Recovery Act	10.579	18-04	<u>38,703</u>
TOTAL OTHER PROGRAMS			<u>2,215,501</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$6,105,898</u>

Note 1 - Basis of Presentation -

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Marion School District No. 3 and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the regulatory basis of financial statements.

Note 2 - During the year ended June 30, 2010, the District received Medicaid funding of \$180,741 from the State Department of Health and Human Services. Such payments are not considered federal awards expended and therefore are not included in the above schedule.

Note 3 - Nonmonetary assistance is reported at the approximate value as provided by the State Department of Human Services.

**Marion School District No. 3
Crittenden County, Arkansas
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2010**

Schedule 4

There were no findings in the prior audit.

**Marion School District No. 3
Crittenden County, Arkansas
SCHEDULE OF STATE ASSISTANCE - ABC
For the Year Ended June 30, 2010**

Schedule 5

<u>Program Grantor/ Program Title</u>	<u>State Revenues</u>	<u>State Expenditures</u>
Arkansas Department of Education Arkansas Better Chance (ABC)	<u>\$193,050</u>	<u>\$191,016</u>
Total ABC State Assistance	<u>\$193,050</u>	<u>\$191,016</u>

Note A - Basis of Presentation

This schedule is presented on the modified accrual basis of accounting. This is not intended to be an all inclusive presentation of state awards and expenditures. See Statement of Revenues, Expenditures and Changes in Fund Balance for total state assistance received.

**Marion School District No. 3
Crittenden County, Arkansas
SUPPLEMENTAL DATA SHEET
June 30, 2010**

Schedule 6

Name and address:	Marion School District No. 3 200 Manor Street Marion, Arkansas 72364
Employer Identification Number:	71-6020624
Telephone number:	870-739-5100
Superintendent	Don Johnston
Contact person:	Marjorie Brinkley