

*Dreamland*

*Academy*

*of Performing and Communication Arts*



**REGULATORY BASIS FINANCIAL STATEMENTS  
AND OTHER REPORTS**

*with*  
Independent Auditor's Report  
June 30, 2010

LISA STEPHENS & COMPANY, PLC  
CERTIFIED PUBLIC ACCOUNTANT

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATIONS ARTS**  
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**June 30, 2010**

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**LISA STEPHENS & COMPANY, PLLC**  
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**Independent Auditor's Report**

To the Board of Trustees  
Dreamland Academy of Performing and Communication Arts

I have audited the accompanying financial statements of each major governmental fund of Dreamland Academy of Performing and Communication Arts (the "Charter School") as of and for the year ended June 30, 2010, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of the Charter School's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my 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 I 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. I believe that my audit provides a reasonable basis for my opinion.

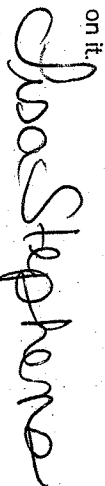
As described more fully in Note 1, the Charter School has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements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

In my opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Dreamland Academy of Performing and Communication Arts as of June 30, 2010, or the changes in financial position for the year then ended. Further, the Charter School 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 my opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major governmental fund of the Charter School 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*, I have also issued my report dated December 13, 2010 on my consideration of the Charter School's internal control over financial reporting and on my tests of 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 my 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 my audit.

My audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Charter School's regulatory basis financial statements. The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Capital Assets are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information in the Schedule of Expenditures of Federal Awards 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 statements or to the financial statements themselves. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The Schedule of Capital Assets has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, I express no opinion on it.



Conway, Arkansas  
December 13, 2010

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**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 Board of Trustees  
Dreamland Academy & Performing Arts Charter School

I have audited the financial statements of each major governmental fund of the Dreamland Academy & Performing Arts Charter School as of and for the year ended June 30, 2010, which collectively comprise the Charter School's regulatory basis financial statements, and have issued my report thereon dated December 13, 2010. I issued an adverse opinion because the Charter School prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund of the Charter School 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. I conducted my 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 my audit, I considered Dreamland Academy & Performing Arts Charter School's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of Dreamland Academy & Performing Arts Charter School's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Charter School's internal control over financial reporting.

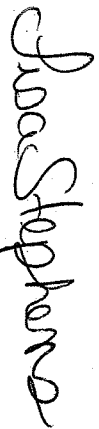
A *deficiency of internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination 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.

My 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. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Dreamland Academy & Performing Arts Charter School's regulatory basis financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the Legislative Joint Auditing Committee, the local Charter School Board of Trustees and 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 the 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.



Conway, Arkansas  
December 13, 2010

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**INDEPENDENT AUDITOR'S 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 Board of Trustees  
Dreamland Academy & Performing Arts Charter School

Compliance

I have audited the compliance of Dreamland Academy & Performing Arts Charter School (the "Charter School") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the Charter School's major federal programs for the year ended June 30, 2010. The Charter School'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 Charter School's management. My responsibility is to express an opinion on the Charter School's compliance based on my audit.

I conducted my 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 I 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 Charter School's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of the Charter School's compliance with those requirements.

In my opinion, Dreamland Academy & Performing Arts Charter School complied, in all material respects, with the compliance 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

The management of the Charter School 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 my audit, I considered the Charter School's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that could have a direct and material effect 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, I do not express an opinion on the effectiveness of the Charter School's internal control over compliance.

A *deficiency in 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 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 material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

My consideration of 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. I did not identify any deficiencies in internal control over compliance that I 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 Charter School board and Charter School 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.

  
Lisa A. Stephens

December 13, 2010

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS  
PULASKI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
June 30, 2010**

	Governmental Funds	
	Major	
	General	Special Revenue
<b>ASSETS</b>		
Cash and cash equivalents	\$152,286	\$8,421
Accounts receivable		47,958
<b>TOTAL ASSETS</b>	<b>\$152,286</b>	<b>\$56,379</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>Liabilities:</b>		
Accounts payable	\$6,200	
Accrued payroll tax liabilities	60,016	
<b>Total Liabilities</b>	<b>66,216</b>	
<b>Fund Balances:</b>		
Unreserved (unrestricted):		
Undesignated	86,070	\$56,379
<b>Total Fund Balances</b>	<b>86,070</b>	<b>56,379</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$152,286</b>	<b>\$56,379</b>

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS  
PULASKI COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
For the Year Ended June 30, 2010**

	Major	
	General	Special Revenue
<b>REVENUES</b>		
State assistance	\$2,138,069	\$1,377
Federal assistance		836,560
Meal sales		3,080
Other revenues	9,820	28,716
<b>TOTAL REVENUES</b>	<b>2,147,889</b>	<b>869,733</b>
<b>EXPENDITURES</b>		
Regular programs	745,671	106,783
Special education	12,525	53,818
Compensatory education	142,888	188,426
Other instructional programs	4,745	10,215
Support services - students	200,807	15,518
Support services - instruction	140,785	119,897
Support services - general administration	262,198	
Support services - school administration	133,230	13,775
Support services - business	69,851	100,059
Support services - M & O	264,803	62,567
Support services - food service	80,688	178,254
Student transportation services	2,900	
Activity expenditures	1,528	
<b>TOTAL EXPENDITURES</b>	<b>2,062,619</b>	<b>849,312</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>85,270</b>	<b>20,421</b>
<b>OTHER FINANCING SOURCES (USES)</b>		
Transfers in	790,984	
Transfers out	(759,510)	(31,474)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>31,474</b>	<b>(31,474)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>116,744</b>	<b>(11,053)</b>
<b>UNRESTRICTED FUND BALANCES - 7/1/09</b>	<b>(30,674)</b>	<b>67,432</b>
<b>UNRESTRICTED FUND BALANCES - 6/30/10</b>	<b>\$86,070</b>	<b>\$56,379</b>

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS  
PULASKI 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			Special Revenue		
	Budget	Actual	Variance	Budget	Actual	Variance
			Favorable (Unfavorable)			Favorable (Unfavorable)
<b>REVENUES</b>						
State assistance	\$2,138,069	\$2,138,069		\$1,377	\$1,377	
Federal assistance				1,065,752	836,560	(\$229,192)
Meal sales				3,080	3,080	
Other revenues	9,820	9,820		28,800	28,716	(84)
<b>TOTAL REVENUES</b>	<b>2,147,889</b>	<b>2,147,889</b>		<b>1,099,009</b>	<b>869,733</b>	<b>229,276</b>
<b>EXPENDITURES</b>						
Regular programs	772,701	745,671	27,030	142,426	106,783	35,643
Special education	12,527	12,525	2	73,694	53,818	19,876
Compensatory education	152,336	142,888	9,448	209,751	188,426	21,325
Other instructional programs	17,820	4,745	13,075	51,325	10,215	41,110
Support services - students	203,372	200,807	2,565	12,561	15,518	(2,957)
Support services - instruction	64,921	140,785	(75,864)	219,994	119,897	100,097
Support services - general administration	260,469	262,198	(1,729)			
Support services - school administration	133,235	133,230	5	13,873	13,775	98
Support services - business	70,820	69,851	969	129,771	100,059	29,712
Support services - M & O	266,747	264,803	1,944	118,268	62,567	55,701
Support services - food service	78,482	80,688	(2,206)	177,958	178,254	(296)
Student transportation services	2,900	2,900				
Community services operations				1,000		1,000
Activity expenditures	1,546	1,528	18			
<b>TOTAL EXPENDITURES</b>	<b>2,037,876</b>	<b>2,062,619</b>	<b>(24,743)</b>	<b>1,150,621</b>	<b>849,312</b>	<b>301,309</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>110,013</b>	<b>85,270</b>	<b>(24,743)</b>	<b>(51,612)</b>	<b>20,421</b>	<b>72,033</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	759,510	790,984	31,474			
Transfers out	(759,510)	(759,510)			(31,474)	(31,474)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>31,474</b>	<b>6,731</b>	<b>-</b>	<b>(31,474)</b>	<b>31,474</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>110,013</b>	<b>116,744</b>	<b>(6,731)</b>	<b>(51,612)</b>	<b>(11,053)</b>	<b>40,559</b>
<b>FUND BALANCES - JULY 1, 2009</b>	<b>142,299</b>	<b>(30,674)</b>	<b>(172,973)</b>	<b>58,000</b>	<b>67,432</b>	<b>9,432</b>
<b>FUND BALANCES - JUNE 30, 2010</b>	<b>\$252,312</b>	<b>\$86,070</b>	<b>(\$166,242)</b>	<b>\$6,388</b>	<b>\$56,379</b>	<b>\$49,991</b>

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2010**

**Note 1: Summary of Significant Accounting Policies**  
**Reporting Entity**

The Board of Education, a five member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of Dreamland Academy of Performing and Communication Arts (the "Charter School"). The Charter School is an open-enrollment charter school and the sponsoring entity is the Wilson Community Development Corporation, a nonprofit corporation. There are no component units.

**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.

**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. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

**Revenue Recognition Policies**

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

**Use of Estimates**

Management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS**  
**PULASKI COUNTY, ARKANSAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**June 30, 2010**

**Note 1: Summary of Significant Accounting Policies (continued)**

**Capital Assets**

Information on capital assets and related depreciation is reported in 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 Charter School maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

Asset Class	Estimated Useful Life in Years
Equipment	5-20

**Fund Balance Designation**

Undesignated fund balance -- indicates that portion of the fund balance not reserved or designated.

**Budget and Budgetary Accounting**

The Charter School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The Charter School 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 charter schools employ the cash basis method.

The Charter School 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 -- Government 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.

**Note 2: Cash Deposits with Financial Institutions**

Cash deposits are carried at cost (carrying value). The balances of \$103,991 and \$63,774 in the general fund and special revenue fund, respectively, are all FDIC insured.

**Note 3: Accounts Receivable**

The accounts receivable balance of \$47,958 at June 30, 2010 was comprised of the following:

	Governmental Funds
	Major
Description	Special
Revenue	Revenue
Federal assistance	\$ 47,958

**Note 4: Interfund Transfers**

The Charter School transferred \$31,474 from the special revenue funds to the general funds to correct a prior year posting error in the Federal Charter School startup funds.

**Note 5: Compensated Absences**

Charter School employees are entitled to paid vacation and sick days, depending on length of service and other factors. It is impractical to estimate the amount of compensation for future absences, and accordingly, no liability has been recorded in the accompanying financial statements. Costs of compensated absences are recognized when actually paid to employees.

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS (Continued)  
June 30, 2010**

**Note 6: Accounts Payable**

The accounts payable and accrued liability balance of \$66,216 was comprised of the following:

Description	General
Vendor payables	\$ 6,200
Payroll withholdings and matching	60,016
<b>Totals</b>	<b>\$ 66,216</b>

**Note 7: Commitments**

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

Operating Leases (noncapital leases with initial non-cancellable lease terms in excess of one year)

General description of lease and leasing arrangements: Building

Future minimum rental payments (aggregate) at June 30, 2010: \$487,890

Basis on which contingent rental payments are determined, if applicable:

Monthly lease is \$13,552.50 per month with an option to renew for a one or two year period.

Rental payments for the operating lease described above were approximately \$162,630 for the year ended June 30, 2010.

General description of lease and leasing arrangements: Two Ricoh copiers

Future minimum rental payments (aggregate) at June 20, 2010: \$25,120

Basis on which contingent rental payments are determined, if applicable:

Monthly lease is \$785 for both copiers with 30,000 copies per copier, with additional black and white and color copies costing \$.0105 and \$.07 cents per copy, respectively.

Rental payments for the operating leases described above were approximately \$9,420 for the year ended June 30, 2010.

Future minimum rental payments for the succeeding years:

Year Ended June 3	Amount
2010	\$172,050
2011	172,050
2012	168,910
<b>Total</b>	<b>\$513,010</b>

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS (Continued)**

June 30, 2010

**Note 8: Retirement Plans**

The Charter School contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired before July 1, 1989. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State Law and can be amended only by the Arkansas General Assembly. The ATRS 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.

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries; the maximum allowed by State law. The Charter School's contributions to ATRS for the year ended June 30, 2010 were \$207,273, and \$141,604, respectively, equal to the required contributions for each year.

**Note 9: Risk Management**

The Charter School 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 Charter School carries commercial insurance for buildings, contents, board liability, and student accidents. Settled claims did not exceed this commercial coverage in any of the past two fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The Charter School 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 the officials and 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.

**Note 10: Subsequent Events**

Management has evaluated subsequent events through December 13, 2010, the date which the financial statements were available for issue.

**DREAMLAND ACADEMY OF PERFORMING AND COMMUNICATION ARTS  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
For the Year Ended June 30, 2010  
(Unaudited)**

	Balance June 30, 2010
<b>NONDEPRECIABLE CAPITAL ASSETS</b>	N/A
<b>DEPRECIABLE CAPITAL ASSETS</b>	
Equipment	<u>\$14,827</u>
Total depreciable capital assets	<u>14,827</u>
Less accumulated depreciation for: Equipment	<u>6,572</u>
Total accumulated depreciation	<u>6,572</u>
<b>TOTAL DEPRECIABLE CAPITAL ASSETS, NET</b>	<u>8,255</u>
<b>CAPITAL ASSETS, NET</b>	<u><u>\$8,255</u></u>

**DREAMLAND ACADEMY & PERFORMING ARTS CHARTER SCHOOL**  
**Schedule of Expenditures of Federal Awards**  
**Fiscal Year Ended June 30, 2010**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>		
<u>U. S. Department of Agriculture</u>		
Passed Through State Department of Education:		
School Breakfast Program	10.553	39,204
National School Lunch Program	10.555	134,593
Total State Department of Education		173,797
<b>TOTAL CHILD NUTRITION CLUSTER</b>		<b>173,797</b>
<b>OTHER PROGRAMS</b>		

<u>U. S. Department of Education</u>		
Passed Through State Department of Education:		
Title I Grants - Local Educational Agencies	84.010	201,518
Special Education - Grants to States	84.027	43,287
21st Century Communities Learning Center	84.287	130,883
America Recovery and Reinvestment Act - Title 1 Grants	84.389	28,268
America Recovery and Reinvestment Act - Special Education	84.391	16,284
America Recovery and Reinvestment Act - Stabilization & Renovations	84.394	233,092
Total U. S. Department of Education		<b>653,332</b>
<b>TOTAL OTHER PROGRAMS</b>		<b>653,332</b>

**TOTAL EXPENDITURES OF FEDERAL AWARDS** \$ 827,129

The accompanying notes are an integral part of this schedule.

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Note 1:** Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Dreamland Academy 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 financial statements.

**Note 2:** During the year ended June 30, 2010, the District received Medicaid funding of \$20,590 from the State Department of Human Services. Such payments are not considered Federal awards expended and therefore are not included in the above schedule.

**DREAMLAND ACADEMY & PERFORMING ARTS CHARTER SCHOOL**  
**Schedule of Findings and Questioned Costs**  
**Fiscal Year Ended June 30, 2010**

**Section I – Summary of Auditor’s Results**

**FINANCIAL STATEMENTS**

Type of auditor’s report issued – GAAP basis of reporting - adverse  
Regulatory basis opinion units - unqualified

Internal control over financial reporting:

No material weaknesses identified.  
No significant deficiencies identified that are not considered to be material weaknesses.  
No noncompliance material to financial statements noted.

**FEDERAL AWARDS**

No material weaknesses identified.  
No significant deficiencies identified that are not considered to be material weaknesses.

Type of auditor’s report issued on compliance for major programs – unqualified.

No audit findings disclosed that are required to be reported, as required in accordance with Circular A-133, Section 510(a).

**Identification of major program:**

84.010, 84.389, 84.394      U.S. Department of Education

Dollar threshold used to distinguish between Type A and Type B Programs - \$300,000.

**Section II – Financial Statement Findings**

No matters reported.

**Section III – Federal Award Findings and Questioned Costs**

No matters reported.

**DREAMLAND ACADEMY & PERFORMING ARTS CHARTER SCHOOL**  
**Summary Schedule of Prior Audit Findings**  
**Fiscal Year Ended June 30, 2010**

Dreamland Academy & Performing Arts Charter School had no findings in the prior report, for the fiscal year ending June 30, 2009.