

**Woodlawn School District No. 6**

**Cleveland County, Arkansas**

**Regulatory Basis Financial Statements  
And Other Reports**

**June 30, 2007**



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CLEVELAND COUNTY, ARKANSAS  
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Sen. Randy Laverly  
Senate Co-Chair  
Rep. J R Rogers  
House Co-Chair  
Sen. Bobby L. Glover  
Senate Co-Vice Chair  
Rep. Johnny Hoyt  
House Co-Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Woodlawn School District No. 6 and School Board Members  
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Woodlawn School District No. 6 (the "District"), as of and for the year ended June 30, 2007, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to 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, 2007, 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, 2007, 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 July 16, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) is presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements. 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.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas  
July 16, 2008  
EDSD06207

Sen. Randy Laverly  
Senate Co-Chair  
Rep. J R Rogers  
House Co-Chair  
Sen. Bobby L. Glover  
Senate Co-Vice Chair  
Rep. Johnny Hoyt  
House Co-Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Woodlawn School District No. 6 and School Board Members  
Legislative Joint Auditing Committee

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Woodlawn School District No. 6 (the "District"), as of and for the year ended June 30, 2007, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated July 16, 2008. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2007, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency described below in the Audit Findings section of this report to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

AUDIT FINDINGS

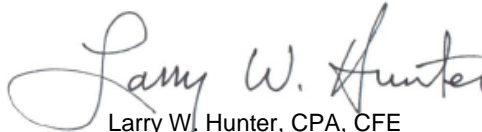
Significant Deficiency

Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control process to ensure the preparation of reliable financial statements that are fairly presented in conformity with the regulatory basis of accounting. The District, because of cost/benefit implications, has not segregated financial accounting duties to sufficiently reduce the risk that a material misstatement of the financial statements due to fraud or error will not be prevented or detected. To achieve effective internal control over financial reporting, accounting duties should be distributed among appropriate employees.

Management Response: District personnel concur with the recommendation.

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

DIVISION OF LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
July 16, 2008

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2007

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 262,668	\$ 88,632	\$ 195,719	\$ 8,776
Investments	368,617		1,000,000	
Accounts receivable		4,192		
Deposit with paying agent	3,550		41,014	
<b>TOTAL ASSETS</b>	<b>\$ 634,835</b>	<b>\$ 92,824</b>	<b>\$ 1,236,733</b>	<b>\$ 8,776</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 16,362		\$ 15,000	
Due student groups				\$ 8,776
Deferred taxes	30,421			
<b>Total Liabilities</b>	<b>46,783</b>		<b>15,000</b>	<b>8,776</b>
<b>Fund Balances:</b>				
<b>Reserved:</b>				
Debt service	3,550		41,014	
Capital projects			1,180,719	
<b>Unreserved:</b>				
Undesignated	584,502	\$ 92,824		
<b>Total Fund Balances</b>	<b>588,052</b>	<b>92,824</b>	<b>1,221,733</b>	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 634,835</b>	<b>\$ 92,824</b>	<b>\$ 1,236,733</b>	<b>\$ 8,776</b>

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

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WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2007

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 720,647		
State assistance	3,055,142	\$ 1,904	\$ 50,137
Federal assistance		240,529	
Activity revenues	140,871		
Meal sales		70,631	
Investment income	64,478	144	25,242
Other revenues	5,681	39,241	
<b>TOTAL REVENUES</b>	<b>3,986,819</b>	<b>352,449</b>	<b>75,379</b>
<b>EXPENDITURES</b>			
Regular programs	2,154,653	37,768	
Special education	95,906	54,508	
Workforce education	94,297		
Compensatory education	18,045	31,087	
Other instructional programs	11,338		
Student support services	151,405	13,681	
Instructional staff support services	225,823		
General administration support services	222,747		
School administration support services	221,983		
Operation and maintenance of plant services	526,369		
Student transportation services	143,243		
Central support services	74,862		
Other support services	776		
Food services operations	38,288	186,043	
Community services		9	
Facilities acquisition and construction services	353,051		63,548
Non-programmed costs	29,791		
Activity expenditures	152,906		
Debt Service:			
Principal retirement	2,674		50,000
Interest and fiscal charges	876		84,392
<b>TOTAL EXPENDITURES</b>	<b>4,519,033</b>	<b>323,096</b>	<b>197,940</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(532,214)</b>	<b>29,353</b>	<b>(122,561)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			105,078
Transfers out	(105,078)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(105,078)</b>		<b>105,078</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(637,292)</b>	<b>29,353</b>	<b>(17,483)</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,225,344</b>	<b>63,471</b>	<b>1,239,216</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 588,052</b>	<b>\$ 92,824</b>	<b>\$ 1,221,733</b>

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

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND 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, 2007

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 748,000	\$ 720,647	\$ (27,353)			
State assistance	5,377,385	3,055,142	(2,322,243)	\$ 2,000	\$ 1,904	\$ (96)
Federal assistance				210,363	240,529	30,166
Activity revenues	230,650	140,871	(89,779)			
Meal sales				122,000	70,631	(51,369)
Investment income	65,000	64,478	(522)	144	144	
Other revenues	1,000	5,681	4,681		39,241	39,241
<b>TOTAL REVENUES</b>	<b>6,422,035</b>	<b>3,986,819</b>	<b>(2,435,216)</b>	<b>334,507</b>	<b>352,449</b>	<b>17,942</b>
<b>EXPENDITURES</b>						
Regular programs	2,018,514	2,154,653	(136,139)	63,658	37,768	25,890
Special education	97,665	95,906	1,759	26,987	54,508	(27,521)
Workforce education	95,213	94,297	916			
Compensatory education		18,045	(18,045)	30,835	31,087	(252)
Other instructional programs	1,000	11,338	(10,338)			
Student support services	152,413	151,405	1,008	20,142	13,681	6,461
Instructional staff support services	204,269	225,823	(21,554)	800		800
General administration support services	215,187	222,747	(7,560)			
School administration support services	216,519	221,983	(5,464)			
Business support services	42,300		42,300			
Operation and maintenance of plant services	367,389	526,369	(158,980)			
Student transportation services	158,595	143,243	15,352			
Central support services		74,862	(74,862)			
Other support services		776	(776)			
Food services operations	19,100	38,288	(19,188)	177,721	186,043	(8,322)
Community services				100	9	91
Facilities acquisition and construction services	2,905,630	353,051	2,552,579			
Non-programmed costs	44,288	29,791	14,497	45,022		45,022
Activity expenditures	169,962	152,906	17,056			
Debt Service:						
Principal retirement	5,165	2,674	2,491			
Interest and fiscal charges	1,836	876	960			
<b>TOTAL EXPENDITURES</b>	<b>6,715,045</b>	<b>4,519,033</b>	<b>2,196,012</b>	<b>365,265</b>	<b>323,096</b>	<b>42,169</b>

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND 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, 2007

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (293,010)	\$ (532,214)	\$ (239,204)	\$ (30,758)	\$ 29,353	\$ 60,111
OTHER FINANCING SOURCES (USES)						
Transfers in	1,924,850		(1,924,850)	14,077		(14,077)
Transfers out	(2,043,267)	(105,078)	1,938,189			
TOTAL OTHER FINANCING SOURCES (USES)	(118,417)	(105,078)	13,339	14,077		(14,077)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(411,427)	(637,292)	(225,865)	(16,681)	29,353	46,034
FUND BALANCES - JULY 1	1,252,882	1,225,344	(27,538)	63,471	63,471	
FUND BALANCES - JUNE 30	\$ 841,455	\$ 588,052	\$ (253,403)	\$ 46,790	\$ 92,824	\$ 46,034

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

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WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

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

B. Description of Funds

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

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

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

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

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

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

Fiduciary Fund types include the following:

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

Private-purpose Trust Funds – Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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.

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

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

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property Taxes**

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

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

Amendment No. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. 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 appropriate for expenditure or is legally segregated for a specific future use.
2. Undesignated fund balance - indicates that portion of the fund balance not reserved or designated.

**H. Budget and Budgetary Accounting**

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

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

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

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

H. Budget and Budgetary Accounting (Continued)

On-behalf payments as described at Note 9 are nonbudgeted data for the year ended June 30, 2007. Such payments are reported as actual revenues and expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis (Exhibit C).

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 200,000	\$ 200,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	1,724,412	1,864,567
Total Deposits	\$ 1,924,412	\$ 2,064,567

The above total deposits include certificates of deposit of \$1,368,617 reported as investments and classified as nonparticipating contracts.

**3: ACCOUNTS RECEIVABLE**

The accounts receivable balance of \$4,192 at June 30, 2007 was comprised of the following:

Description	Governmental Fund Major Special Revenue
Other	\$ 4,192

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2007:

Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2007	Maturities To June 30, 2007
11/1/03	1/1/29	3.5 - 4.8%	\$ 2,100,000	\$ 1,900,000	\$ 200,000
7/8/01	7/8/11	6.4%	<u>51,849</u>	<u>24,709</u>	<u>27,140</u>
Totals			<u>\$ 2,151,849</u>	<u>\$ 1,924,709</u>	<u>\$ 227,140</u>

Changes in Long-term Debt

	Balance July 1, 2006	Retired	Balance June 30, 2007
Bonds payable	\$ 1,950,000	\$ 50,000	\$ 1,900,000
Capital leases	<u>27,383</u>	<u>2,674</u>	<u>24,709</u>
Totals	<u>\$ 1,977,383</u>	<u>\$ 52,674</u>	<u>\$ 1,924,709</u>

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

Year Ended June 30,	Principal	Interest	Total
2008	\$ 60,606	\$ 82,558	\$ 143,164
2009	60,971	80,269	141,240
2010	61,359	77,955	139,314
2011	66,773	75,499	142,272
2012	60,000	73,012	133,012
2013-2017	350,000	326,438	676,438
2018-2022	440,000	254,108	694,108
2023-2027	560,000	121,970	681,970
2028-2029	<u>265,000</u>	<u>9,600</u>	<u>274,600</u>
Totals	<u>\$ 1,924,709</u>	<u>\$ 1,101,409</u>	<u>\$ 3,026,118</u>

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**4: COMMITMENTS (Continued)**

Long-term Debt Issued and Outstanding

Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2007
Excel lighting equipment	\$ 51,849
	June 30, 2007
Total Minimum Lease Payments	\$ 28,399
Less: Amount Representing Interest	3,690
Total Present Value of Net Minimum Lease Payments	\$ 24,709

**5: ACCOUNTS PAYABLE**

The accounts payable balance of \$31,362 at June 30, 2007, was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Other Aggregate	
Vendor payables	\$ 16,362	\$ 15,000	\$ 31,362

**6: INTERFUND TRANSFERS**

The District transferred \$105,078 from the general fund to the other aggregate funds for debt related payments of \$83,381 and to supplement capital expenditures by \$21,697.

**7: RETIREMENT PLAN**

Arkansas Teacher Retirement System

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

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**7: RETIREMENT PLAN (Continued)**

Arkansas Teacher Retirement System (Continued)

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 Arkansas General Assembly. The current employer rate is 14%. The District's contributions to ATRS for the years ended June 30, 2007, 2006 and 2005 were \$345,019, \$334,931 and \$322,221, respectively, equal to the required contributions for each year.

**8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS**

DEDUCTIONS	
Scholarships	<u>\$ 1,000</u>
CHANGE IN FUND BALANCE	(1,000)
FUND BALANCE - JULY 1	<u>1,000</u>
FUND BALANCE - JUNE 30	<u><u>\$ 0</u></u>

**9: ON-BEHALF PAYMENTS**

The accompanying financial statements reflect on-behalf payments of \$36,783 for health insurance premiums paid by the Arkansas Department of Education.

**10: RISK MANAGEMENT**

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

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

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

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

WOODLAWN SCHOOL DISTRICT NO. 6  
CLEVELAND COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2007

**10: RISK MANAGEMENT** (Continued)

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.

WOODLAWN SCHOOL DISTRICT NO. 6  
 CLEVELAND COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2007  
 (Unaudited)

Schedule 1

	Balance June 30, 2007
<i>Nondepreciable capital assets:</i>	
Land	\$ 93,774
Construction in progress	31,395
Total nondepreciable capital assets	125,169
 <i>Depreciable capital assets:</i>	
Buildings	2,561,311
Improvements/infrastructure	64,473
Equipment	1,053,368
Total depreciable capital assets	3,679,152
 Less accumulated depreciation for:	
Buildings	805,857
Improvements/infrastructure	12,718
Equipment	629,525
Total accumulated depreciation	1,448,100
Total depreciable capital assets, net	2,231,052
Capital assets, net	\$ 2,356,221