

# **Wynne School District No. 9**

**Cross County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2005**



WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2005

Independent Auditor's Report  
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*  
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Regulatory Basis	B
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to Financial Statements	

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Schedule of Capital Assets	1
Expenditures of Federal Awards	2
Federal Award Programs – Findings and Questioned Costs	3
Federal Award Programs – Summary of Prior Audit Findings	4

Sen. Henry "Hank" Wilkins, IV  
Senate Co-Chair  
Rep. Tommy G. Roebuck  
House Co-Chair  
Sen. Randy Laverty  
Senate Co-Vice Chair  
Rep. Sandra Prater  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Wynne School District No. 9 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 Wynne School District No. 9 (the "District"), as of and for the year ended June 30, 2005, 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 differ from accounting principles generally accepted in the United States of America. The effects 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.

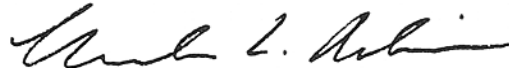
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2005, or the changes in financial position thereof for the year then ended.

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, 2005, 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 June 14, 2006 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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), 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 – Findings and Questioned Costs (Schedule 3) and Federal Award Programs – Summary of Prior Audit Findings (Schedule 4) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The Expenditures of Federal Awards (Schedule 2), Federal Award Programs - Findings and Questioned Costs (Schedule 3) and Federal Award Programs – Summary of Prior Audit Findings (Schedule 4) 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.

DIVISION OF LEGISLATIVE AUDIT



Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
June 14, 2006  
EDSD09905

Sen. Henry "Hank" Wilkins, IV  
Senate Co-Chair  
Rep. Tommy G. Roebuck  
House Co-Chair  
Sen. Randy Laverty  
Senate Co-Vice Chair  
Rep. Sandra Prater  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, 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*

Wynne School District No. 9 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 Wynne School District No. 9 (the "District"), as of and for the year ended June 30, 2005, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated June 14, 2006. 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. 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 effects 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, 2005, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the regulatory basis financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of Federal Award Programs - Findings and Questioned Costs as item 2005-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the regulatory basis financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider finding number 2005-1 in the accompanying schedule of Federal Award Programs - Findings and Questioned Costs 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 and federal laws and regulations, and 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*.

These reports are 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 are 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

*William R. Baum*

William R. Baum, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 14, 2006

Sen. Henry "Hank" Wilkins, IV  
Senate Co-Chair  
Rep. Tommy G. Roebuck  
House Co-Chair  
Sen. Randy Lavery  
Senate Co-Vice Chair  
Rep. Sandra Prater  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Wynne School District No. 9 and School Board Members  
Legislative Joint Auditing Committee

#### Compliance

We have audited the compliance of the Wynne School District No. 9 (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 are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Federal Award Programs - 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 are applicable to each of its major federal programs for the year ended June 30, 2005.

#### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the 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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

These reports are 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 are 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

*William R. Baum*

William R. Baum, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 14, 2006

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2005

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 1,576,608	\$ 528,159	\$ 1,040,361	\$ 33,858
Investments	1,163,670		422,063	23,884
Property taxes receivable	145,452			
<b>TOTAL ASSETS</b>	<b>\$ 2,885,730</b>	<b>\$ 528,159</b>	<b>\$ 1,462,424</b>	<b>\$ 57,742</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Due student groups				\$ 33,858
Payroll withholdings	\$ 60,575			
<b>Total Liabilities</b>	<b>60,575</b>			<b>33,858</b>
Fund Balances:				
Reserved:				
Scholarships				23,884
Capital projects			\$ 7,691	
Unreserved:				
Designated:				
Capital projects			1,454,733	
Undesignated	2,825,155	\$ 528,159		
<b>Total Fund Balances</b>	<b>2,825,155</b>	<b>528,159</b>	<b>1,462,424</b>	<b>23,884</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,885,730</b>	<b>\$ 528,159</b>	<b>\$ 1,462,424</b>	<b>\$ 57,742</b>

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

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 GOVERNMENTAL FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2005

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes	\$ 3,295,608		
Property tax relief trust distribution	646,743		
State assistance	14,208,638	\$ 11,762	
Federal assistance		2,672,153	
Activity revenues	251,623		
Meal sales		296,131	
Investment income	57,447		\$ 5,796
Other revenues	220,163	15,499	
<b>TOTAL REVENUES</b>	<b>18,680,222</b>	<b>2,995,545</b>	<b>5,796</b>
EXPENDITURES			
Regular programs	8,309,797	175,200	
Special education	1,272,620	370,607	
Workforce education	705,231	178,941	
Compensatory education	182,256	927,795	
Other instructional programs	409,219	39,481	
Student support services	804,002	117,725	
Instructional staff support services	870,363	80,997	648
General administration support services	452,118	58,739	
School administration support services	914,889		
Business support services	380,268		42,574
Operation and maintenance of plant services	1,398,652		
Student transportation services	494,373	29,367	
Other support services	29,110		
Food services operations	3,438	1,094,477	
Non-programmed costs		2,928	
Activity expenditures	291,250		
Capital outlay	221,948	33,926	193,190
Debt service:			
Principal retirement			716,327
Interest and fiscal charges			319,230
<b>TOTAL EXPENDITURES</b>	<b>16,739,534</b>	<b>3,110,183</b>	<b>1,271,969</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,940,688	(114,638)	(1,266,173)
OTHER FINANCING SOURCES (USES)			
Transfers in			1,319,403
Transfers out	(1,319,403)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(1,319,403)</b>		<b>1,319,403</b>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	621,285	(114,638)	53,230
FUND BALANCES - JULY 1	2,203,870	642,797	1,409,194
FUND BALANCES - JUNE 30	<u>\$ 2,825,155</u>	<u>\$ 528,159</u>	<u>\$ 1,462,424</u>

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

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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, 2005

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes	\$ 3,521,434	\$ 3,295,608	\$ (225,826)			
Property tax relief trust distribution	193,000	646,743	453,743			
State assistance	14,053,028	14,208,638	155,610	\$ 11,500	\$ 11,762	\$ 262
Federal assistance				2,350,853	2,672,153	321,300
Activity revenues		251,623	251,623			
Meal sales				268,500	296,131	27,631
Investment income	45,000	57,447	12,447			
Other revenues	27,945	220,163	192,218		15,499	15,499
<b>TOTAL REVENUES</b>	<b>17,840,407</b>	<b>18,680,222</b>	<b>839,815</b>	<b>2,630,853</b>	<b>2,995,545</b>	<b>364,692</b>
<b>EXPENDITURES</b>						
Regular programs	7,917,381	8,309,797	(392,416)	204,762	175,200	29,562
Special education	1,244,881	1,272,620	(27,739)	540,623	370,607	170,016
Workforce education	678,387	705,231	(26,844)	176,935	178,941	(2,006)
Compensatory education	230,524	182,256	48,268	825,336	927,795	(102,459)
Other instructional programs	411,540	409,219	2,321	37,500	39,481	(1,981)
Student support services	780,860	804,002	(23,142)	165,015	117,725	47,290
Instructional staff support services	842,387	870,363	(27,976)	177,503	80,997	96,506
General administration support services	475,572	452,118	23,454	67,404	58,739	8,665
School administration support services	850,246	914,889	(64,643)			
Business support services	367,518	380,268	(12,750)			
Operation and maintenance of plant services	1,505,301	1,398,652	106,649			
Student transportation services	458,969	494,373	(35,404)	35,255	29,367	5,888
Other support services	47,000	29,110	17,890			
Food services operations	8,000	3,438	4,562	939,400	1,094,477	(155,077)
Non-programmed costs					2,928	(2,928)
Activity expenditures		291,250	(291,250)			
Capital outlay	238,100	221,948	16,152	47,320	33,926	13,394
<b>TOTAL EXPENDITURES</b>	<b>16,056,666</b>	<b>16,739,534</b>	<b>(682,868)</b>	<b>3,217,053</b>	<b>3,110,183</b>	<b>106,870</b>

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS 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, 2005

Exhibit C

	General			Special Revenue		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,783,741	\$ 1,940,688	\$ 156,947	\$ (586,200)	\$ (114,638)	\$ 471,562
OTHER FINANCING SOURCES (USES)						
Transfers in	9,263,959		(9,263,959)			
Transfers out	(10,083,876)	(1,319,403)	8,764,473			
TOTAL OTHER FINANCING SOURCES (USES)	(819,917)	(1,319,403)	(499,486)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	963,824	621,285	(342,539)	(586,200)	(114,638)	471,562
FUND BALANCES - JULY 1	1,925,684	2,203,870	278,186	641,573	642,797	1,224
FUND BALANCES - JUNE 30	\$ 2,889,508	\$ 2,825,155	\$ (64,353)	\$ 55,373	\$ 528,159	\$ 472,786

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

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a five (5) 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 Wynne 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 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.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

**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.

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	20-25
Buildings	20-50
Equipment	5-20

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**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 that are due at the end of the fiscal year and collected within 60 days are accrued. Deferred property taxes are not recognized.

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. Designated fund balance - represents that portion of the fund balance which indicates tentative plans for financial resource utilization in a future period.
3. 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.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

**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)	\$ 323,885	\$ 323,885
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	4,464,003	5,197,566
Total Deposits	\$ 4,787,888	\$ 5,521,451

The above total deposits do not include cash on hand in the amount of \$715. The above total deposits include certificates of deposits of \$1,609,617 reported as investments and classified as nonparticipating contracts.

**3: RECEIVABLES**

The receivables of \$145,452 at June 30, 2005, are as follows:

Class of Receivable	General Fund
Taxes:	
Local	\$ 145,452

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2005:

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, 2005	Maturities To June 30, 2005
3/1/01	2/1/17	3.75 - 4.6%	\$ 2,296,361	\$ 1,855,000	\$ 441,361
11/1/03	6/1/17	2.75 - 3.75%	6,886,691	6,135,000	751,691
9/8/03	4/15/07	3.5%	811,435	414,624	396,811
Totals			\$ 9,994,487	\$ 8,404,624	\$ 1,589,863

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

**4: COMMITMENTS (CONTINUED)**

Changes in Long-Term Debt

	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005
Bonds payable	\$ 8,510,000		\$ 520,000	\$ 7,990,000
Installment contracts	610,951		196,327	414,624
<b>Totals</b>	<b>\$ 9,120,951</b>	<b>\$ 0</b>	<b>\$ 716,327</b>	<b>\$ 8,404,624</b>

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

Year Ended June 30,	Principal	Interest	Total
2006	\$ 748,442	\$ 295,128	\$ 1,043,570
2007	776,182	271,666	1,047,848
2008	575,000	249,141	824,141
2009	605,000	231,766	836,766
2010	620,000	213,306	833,306
2011-2015	3,475,000	724,653	4,199,653
2016-2017	1,605,000	95,765	1,700,765
<b>Totals</b>	<b>\$ 8,404,624</b>	<b>\$ 2,081,425</b>	<b>\$ 10,486,049</b>

**5: INTERFUND TRANSFERS**

The District transferred \$1,319,403 from the general fund to the other aggregate funds for debt related payments of \$819,403 and to supplement capital expenditures by \$500,000.

**6: 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 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.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2005

**6: RETIREMENT PLANS (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, 2005, 2004 and 2003 were \$1,651,179, \$1,269,952 and \$1,068,985, 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 (PERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. PERS 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS 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 statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2005, 2004 and 2003 were \$6,046, \$6,129 and \$7,273, respectively, equal to the required contributions for each year.

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

ADDITIONS	
Donations	\$ 1,500
Interest	<u>363</u>
TOTAL ADDITIONS	1,863
DEDUCTIONS	
Scholarships	<u>3,500</u>
CHANGE IN FUND BALANCE	(1,637)
FUND BALANCE - JULY 1	<u>25,521</u>
FUND BALANCE - JUNE 30	<u><u>\$ 23,884</u></u>

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2005

**8: SUBSEQUENT EVENTS**

- A. Effective September 19, 2005, the District annexed the Parkin School District.
- B. The District executed a contract of \$475,000 on October 27, 2005 for the construction of additional classrooms.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1

	Balance July 1, 2004	Additions	Deletions	Reclassi- fications	Balance June 30, 2005
<i>Nondepreciable capital assets:</i>					
Land	\$ 935,923				\$ 935,923
Construction in progress	229,792	\$ 182,991		\$ (412,783)	
Total nondepreciable capital assets	<u>1,165,715</u>	<u>182,991</u>		<u>(412,783)</u>	<u>935,923</u>
<i>Depreciable capital assets:</i>					
Buildings	19,740,693			412,783	20,153,476
Improvements/infrastructure	983,060	77,370			1,060,430
Equipment	4,976,467	188,702	\$ 526,318		4,638,851
Total depreciable capital assets	<u>25,700,220</u>	<u>266,072</u>	<u>526,318</u>	<u>412,783</u>	<u>25,852,757</u>
Less accumulated depreciation for:					
Buildings	3,955,683	396,220			4,351,903
Improvements/infrastructure	350,951	45,209			396,160
Equipment	2,868,159	467,635	374,126		2,961,668
Total accumulated depreciation	<u>7,174,793</u>	<u>909,064</u>	<u>374,126</u>		<u>7,709,731</u>
Total depreciable capital assets, net	<u>18,525,427</u>	<u>(642,992)</u>	<u>152,192</u>	<u>412,783</u>	<u>18,143,026</u>
Capital assets, net	<u>\$ 19,691,142</u>	<u>\$ (460,001)</u>	<u>\$ 152,192</u>	<u>\$ 0</u>	<u>\$ 19,078,949</u>

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2005

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through 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	19-05-000	\$ 187,288
National School Lunch Program	10.555	19-05-000	531,245
Total State Department of Education			718,533
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	1903	74,081
<b>TOTAL CHILD NUTRITION CLUSTER</b>			792,614
<b>OTHER PROGRAMS</b>			
<u>U. S. Department of Defense</u>			
ROTC (Note 3)	AR028239	1903	39,481
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	19-05	592,472
Special Education - Grants to States	84.027	1905	502,482
Vocational Education - Basic Grants to States	84.048	L19-05-000	48,931
Safe and Drug-Free Schools and Communities - State Grants	84.186	19-05	19,230
Tech-Prep Education	84.243	L19-05-000	147,424
State Grants for Innovative Programs	84.298	1905	17,733
Education Technology State Grants	84.318	1905	12,699
Reading First State Grants	84.357	1905	460,456
Rural Education	84.358	1905	3,569
Improving Teacher Quality State Grants	84.367	1905	161,985
Total U. S. Department of Education			1,966,981
<b>TOTAL OTHER PROGRAMS</b>			2,006,462
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 2,799,076</b>

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 Wynne School District No. 9 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, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.
- Note 2: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 3: The Federal CFDA Number was not available. An alternative identifying number was utilized.

WYNNE SCHOOL DISTRICT NO. 9  
 CROSS COUNTY, ARKANSAS  
 FEDERAL AWARD PROGRAMS -  
 FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2005

Schedule 3

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Types of auditor's reports issued: GAAP basis of reporting - adverse  
 Regulatory basis opinion units - unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**FEDERAL AWARDS**

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?  yes  no

Identification of major programs:

CFDA Numbers	Name of Federal Programs or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027	Special Education - Grants To States
84.357	Reading First State Grants

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

REPORTABLE CONDITION

2005-1. Segregation of Duties

Criteria: Financial accounting duties should be distributed among appropriate employees to ensure the proper safeguarding of assets.

Condition: The District does not have adequate staff to segregate financial accounting duties among appropriate employees.

Context: Completion of internal control questionnaire.

Effect: Financial accounting duties are not distributed among the District's employees to sufficiently reduce the risks of fraud or error and to properly safeguard the District's assets.

Cause: Limited financial resources hinder the District's ability to adequately segregate financial accounting duties among employees.

Recommendation: To ensure the proper safeguarding of the District's assets, financial accounting duties should be distributed among appropriate employees.

Views of responsible officials and planned corrective actions: We concur with the recommendation.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings and questioned costs noted.

WYNNE SCHOOL DISTRICT NO. 9  
CROSS COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 4

There were no findings in the prior audit.