

Wynne School District No. 9

Cross County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2006

LEGISLATIVE JOINT AUDITING COMMITTEE



WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2006

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 (Unaudited)	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, 2006, 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.

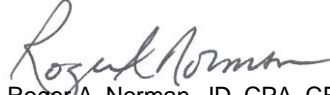
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2006, 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, 2006, 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 January 18, 2007 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), 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



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

Little Rock, Arkansas
January 18, 2007
EDSD09906

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, 2006, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 18, 2007. 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. 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. 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, 2006, 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 opinion 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 2006-1.

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 item 2006-1 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, 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
January 18, 2007

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverly
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, 2006. 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 of 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, 2006.

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 the 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

A handwritten signature in black ink that reads "William R. Baum". The signature is written in a cursive style with a prominent initial "W".

William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
January 18, 2007

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2006

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 1,576,043	\$ 570,020	\$ 1,001,929	\$ 33,295
Investments	2,224,691		2,455,136	23,697
Property taxes receivable	110,614			
Deposit with paying agent			4,825	
TOTAL ASSETS	\$ 3,911,348	\$ 570,020	\$ 3,461,890	\$ 56,992
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due student groups				\$ 33,295
Payroll withholdings	\$ 361,892			
Total Liabilities	361,892			33,295
Fund Balances:				
Reserved:				
Scholarships				23,697
Debt service			\$ 4,825	
Unreserved:				
Designated:				
Debt service			209,000	
Capital projects			3,248,065	
Undesignated	3,549,456	\$ 570,020		
Total Fund Balances	3,549,456	570,020	3,461,890	23,697
TOTAL LIABILITIES AND FUND BALANCES	\$ 3,911,348	\$ 570,020	\$ 3,461,890	\$ 56,992

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, 2006

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 4,872,175		
State assistance	18,104,616	\$ 11,350	
Federal assistance		3,220,333	
Activity revenues	273,798		
Meal sales		307,645	
Investment income	93,128		\$ 42,267
Other revenues	96,094	44,384	
TOTAL REVENUES	23,439,811	3,583,712	42,267
EXPENDITURES			
Regular programs	8,710,733	306,657	
Special education	1,301,187	619,903	
Workforce education	796,531	189,047	
Compensatory education	333,195	942,973	
Other instructional programs	369,811	41,103	
Student support services	842,886	116,948	
Instructional staff support services	809,208	127,355	
General administration support services	1,696,571	65,142	
School administration support services	1,024,593	33,898	
Business support services	420,637		7,691
Operation and maintenance of plant services	1,711,134		
Student transportation services	834,266		
Central support services	13,822		
Other support services	46,418		
Food services operations	12,225	1,164,592	
Community services		192	
Facilities acquisition and construction services	114,596		343,936
Non-programmed costs	570	10,100	
Activity expenditures	302,533		
Debt service:			
Principal retirement	218,318		575,000
Interest and fiscal charges	17,216		295,059
TOTAL EXPENDITURES	19,576,450	3,617,910	1,221,686
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	3,863,361	(34,198)	(1,179,419)
OTHER FINANCING SOURCES (USES)			
Transfers in		538	3,173,347
Transfers out	(3,173,885)		
Refunds to grantor		(35,848)	
Annexation of Parkin School District	6,353	111,369	5,538
Sale of capital assets	101,000		
Early retirement of debt	(72,528)		
TOTAL OTHER FINANCING SOURCES (USES)	(3,139,060)	76,059	3,178,885
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	724,301	41,861	1,999,466
FUND BALANCES - JULY 1	2,825,155	528,159	1,462,424
FUND BALANCES - JUNE 30	\$ 3,549,456	\$ 570,020	\$ 3,461,890

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, 2006

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 4,338,553	\$ 4,872,175	\$ 533,622			
State assistance	15,227,657	18,104,616	2,876,959	\$ 11,500	\$ 11,350	\$ (150)
Federal assistance				2,552,168	3,220,333	668,165
Activity revenues	34	273,798	273,764			
Meal sales				279,500	307,645	28,145
Investment income	45,000	93,128	48,128			
Other revenues	31,780	96,094	64,314		44,384	44,384
TOTAL REVENUES	19,643,024	23,439,811	3,796,787	2,843,168	3,583,712	740,544
EXPENDITURES						
Regular programs	9,403,503	8,710,733	692,770	255,906	306,657	(50,751)
Special education	1,422,525	1,301,187	121,338	698,514	619,903	78,611
Workforce education	851,489	796,531	54,958	189,047	189,047	
Compensatory education	582,718	333,195	249,523	789,575	942,973	(153,398)
Other instructional programs	463,351	369,811	93,540	40,900	41,103	(203)
Student support services	1,035,695	842,886	192,809	133,354	116,948	16,406
Instructional staff support services	1,036,382	809,208	227,174	127,391	127,355	36
General administration support services	622,827	1,696,571	(1,073,744)	68,142	65,142	3,000
School administration support services	1,045,621	1,024,593	21,028		33,898	(33,898)
Business support services	514,575	420,637	93,938			
Operation and maintenance of plant services	1,700,996	1,711,134	(10,138)			
Student transportation services	779,448	834,266	(54,818)	32,120		32,120
Central support services		13,822	(13,822)			
Other support services	80,557	46,418	34,139			
Food services operations	6,855	12,225	(5,370)	979,315	1,164,592	(185,277)
Community services				3,000	192	2,808
Facilities acquisition and construction services	60,000	114,596	(54,596)			
Non-programmed costs		570	(570)		10,100	(10,100)
Activity expenditures		302,533	(302,533)			
Debt service:						
Principal retirement	206,164	218,318	(12,154)			
Interest and fiscal charges	13,046	17,216	(4,170)			
TOTAL EXPENDITURES	19,825,752	19,576,450	249,302	3,317,264	3,617,910	(300,646)

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, 2006

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (182,728)	\$ 3,863,361	\$ 4,046,089	\$ (474,096)	\$ (34,198)	\$ 439,898
OTHER FINANCING SOURCES (USES)						
Transfers in	11,704,104		(11,704,104)		538	538
Transfers out	(12,178,621)	(3,173,885)	9,004,736			
Refunds to grantor					(35,848)	(35,848)
Annexation of Parkin School District		6,353	6,353		111,369	111,369
Sale of capital assets		101,000	101,000			
Early retirement of debt		(72,528)	(72,528)			
TOTAL OTHER FINANCING SOURCES (USES)	(474,517)	(3,139,060)	(2,664,543)		76,059	76,059
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(657,245)	724,301	1,381,546	(474,096)	41,861	515,957
FUND BALANCES - JULY 1	2,721,064	2,825,155	104,091	639,098	528,159	(110,939)
FUND BALANCES - JUNE 30	\$ 2,063,819	\$ 3,549,456	\$ 1,485,637	\$ 165,002	\$ 570,020	\$ 405,018

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, 2006

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, 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.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

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	20-25
Buildings	20-50
Equipment	5-20

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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 forty percent (40%) of the proceeds of local taxes which are not pledged to secure bonded indebtedness or forty percent (40%) of the revenue from the uniform rate of tax whichever is greater collected in the succeeding calendar year, commonly known as 40% pullback, within that definition. The ADE has determined that school districts must utilize the 40% pullback amount, as calculated by the ADE and reflected on the respective county's abstract of assessments, in recording property tax revenue as follows:

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

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

G. Fund Balance Designations

1. Reserved fund balance - represents that portion of the fund balance which is not appropriable for expenditure or is legally segregated for a specific future use.
2. 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.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budget and Budgetary Accounting (Continued)

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.

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)	\$ 523,697	\$ 523,697
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	7,360,399	7,986,913
Total Deposits	\$ 7,884,096	\$ 8,510,610

The above total deposits do not include cash on hand in the amount of \$715. The above total deposits include certificates of deposits of \$4,703,524 reported as investments and classified as nonparticipating contracts.

3: COMMITMENTS

The District was contractually obligated for the following at June 30, 2006:

A. Construction Contract

Project Name	Estimated Completion Date	Contract Balance
Classroom addition	August 18, 2006	\$ 199,936

B. 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, 2006	Maturities To June 30, 2006
3/1/01	2/1/17	3.75 - 4.6%	\$ 2,296,361	\$ 1,730,000	\$ 566,361
11/1/03	6/1/17	2.75 - 3.75%	6,886,691	5,715,000	1,171,691
11/1/99	1/1/11	4.75 - 5 %	343,831	185,000	158,831
9/8/03	4/15/07	3.5%	811,435	211,182	600,253
Totals			\$ 10,338,318	\$ 7,841,182	\$ 2,497,136

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2006

3: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding (Continued)

Changes in Long-term Debt

	Balance July 1, 2005	Issued	Retired	Balance June 30, 2006
Bonds payable	\$ 7,990,000	\$ 215,000	\$ 575,000	\$ 7,630,000
Capital leases		39,367	39,367	
Installment contracts	414,624	48,037	251,479	211,182
Totals	\$ 8,404,624	\$ 302,404 **	\$ 865,846 *	\$ 7,841,182

* Includes \$72,528 early retirement of debt - See Note 4.

**Includes annexation of Parkin School District of \$302,404.

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

Year Ended June 30,	Principal	Interest	Total
2007	\$ 811,182	\$ 280,916	\$ 1,092,098
2008	610,000	256,640	866,640
2009	640,000	237,516	877,516
2010	660,000	282,854	942,854
2011	680,000	195,096	875,096
2012-2016	3,625,000	595,059	4,220,059
2017	815,000	32,262	847,262
Totals	\$ 7,841,182	\$ 1,880,343	\$ 9,721,525

4: EARLY RETIREMENT OF DEBT

The District retired \$37,917 of installment contracts and \$34,611 of capital leases prior to the respective maturity dates.

5: INTERFUND TRANSFERS

The District transferred \$3,173,347 from the General Fund to the other aggregate funds for debt related payments of \$1,078,347 and to supplement capital expenditures by \$2,095,000. Additionally, the District transferred \$538 from the General Fund to the Special Revenue Fund to reimburse the Title I program for excess indirect costs claimed in the prior year.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

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.

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, 2006, 2005 and 2004 were \$1,936,109, \$1,651,179 and \$1,269,952, 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, 2006, 2005 and 2004 were \$5,578, \$6,046 and \$6,129, respectively, equal to the required contributions for each year.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2006

7: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 1,600
Interest	<u>713</u>
 TOTAL ADDITIONS	 2,313
DEDUCTIONS	
Scholarships	<u>2,500</u>
 CHANGE IN FUND BALANCE	 (187)
 FUND BALANCE - JULY 1	 <u>23,884</u>
 FUND BALANCE - JUNE 30	 <u><u>\$ 23,697</u></u>

8: COMPENSATION FOR LOSS OF CAPITAL ASSETS

On June 22, 2006, the District sustained water damage at the junior high school due to vandalism. As of January 18, 2007, the District has received insurance proceeds of \$76,529 and is in negotiations with the insurer for the remaining compensation for this loss.

9: ANNEXATION OF PARKIN SCHOOL DISTRICT

Effective September 19, 2005, the District annexed the Parkin School District. For reporting purposes, the financial transactions of Parkin School District for the period July 1, 2005 through September 18, 2005 are included in the accompanying financial statements.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2006
 (Unaudited)

Schedule 1

	Balance June 30, 2006
<i>Nondepreciable capital assets:</i>	
Land and improvements	\$ 1,035,159
Construction in progress	322,522
Total nondepreciable capital assets	1,357,681
<i>Depreciable capital assets:</i>	
Buildings	20,447,981
Improvements/infrastructure	1,154,257
Equipment	5,066,014
Total depreciable capital assets	26,668,252
Less accumulated depreciation for:	
Buildings	4,912,956
Improvements/infrastructure	511,629
Equipment	3,427,114
Total accumulated depreciation	8,851,699
Total depreciable capital assets, net	17,816,553
Capital assets, net	\$ 19,174,234

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2006

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	19-05-000	\$ 230,565
National School Lunch Program	10.555	19-05-000	614,164
Total State Department of Education			<u>844,729</u>
Passed Through State Department of Health and Human Services:			
National School Lunch Program (Note 2)	10.555	1903	64,732
Summer Food Service Program for Children	10.559	SA143	13,595
Total State Department of Human Services			<u>78,327</u>
TOTAL CHILD NUTRITION CLUSTER			<u>923,056</u>
OTHER PROGRAMS			
<u>U. S. Department of Defense</u>			
ROTC (Note 3)	AR028239		<u>41,103</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	19-05	815,672
Special Education - Grants to States	84.027	1905	733,200
Vocational Education - Basic Grants to States	84.048	L19-05-000	47,338
Safe and Drug-Free Schools and Communities - State Grants	84.186	19-05	19,908
Tech-Prep Education	84.243	L19-05-000	141,709
State Grants for Innovative Programs	84.298	1905	11,787
Education Technology State Grants	84.318	1905	20,181
Comprehensive School Reform Demonstration	84.332	19-05	6,938
Reading First State Grants	84.357	1905	269,648
Rural Education	84.358	1905	36,152
Improving Teacher Quality State Grants	84.367	1905	232,004
Hurricane Education Recovery	84.938	1905	66,798
Total U. S. Department of Education			<u>2,401,335</u>
TOTAL OTHER PROGRAMS			<u>2,442,438</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 3,365,494</u>

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 preparation of, the regulatory basis financial statements.
- Note 2: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Health and 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, 2006

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION

2006-1. 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, pertaining to the activity funds, among appropriate employees.

Context: Completion of internal control questionnaire.

Effect: Financial accounting duties, pertaining to the activity funds, 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, pertaining to the activity funds, 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, 2006

Schedule 4

There were no findings in the prior audit.