

Pangburn School District

White County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2005



PANGBURN SCHOOL DISTRICT
WHITE COUNTY, ARKANSAS
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JUNE 30, 2005

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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

Pangburn School District 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 Pangburn School District (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.

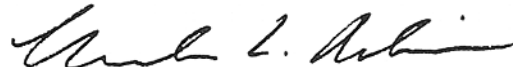
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 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 April 13, 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
April 13, 2006
EDSD40405

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*

Pangburn School District 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 Pangburn School District (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 April 13, 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, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
April 13, 2006

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
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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

Pangburn School District and School Board Members
Legislative Joint Auditing Committee

Compliance

We have audited the compliance of the Pangburn School District (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, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
April 13, 2006

PANGBURN SCHOOL DISTRICT
 WHITE COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2005

Exhibit A

	Governmental Funds		Fiduciary Fund Types
	General	Special Revenue	
ASSETS			
Cash	\$ 1,084,958	\$ 130,408	\$ 61,697
Accounts receivable	18,730		
Property taxes receivable	41,977		
TOTAL ASSETS	\$ 1,145,665	\$ 130,408	\$ 61,697
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due student groups			\$ 61,697
Fund Balances:			
Unreserved:			
Undesignated	\$ 1,145,665	\$ 130,408	
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,145,665	\$ 130,408	\$ 61,697

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

PANGBURN SCHOOL DISTRICT
 WHITE 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	\$ 529,106		
Property tax relief trust distribution	189,958		
State assistance	4,075,731	\$ 2,913	
Federal assistance		643,555	
Activity revenues	82,270		
Meal sales		100,405	
Investment income	689		
Other revenues	117,077		
TOTAL REVENUES	4,994,831	746,873	
EXPENDITURES			
Regular programs	2,190,607	35,495	
Special education	266,594	92,298	
Workforce education	237,468		
Compensatory education	1,543	104,509	
Other instructional programs	148,074		
Student support services	191,813	12,824	
Instructional staff support services	222,189	99,619	
General administration support services	126,636	421	
School administration support services	356,875		
Business support services	98,064		
Operation and maintenance of plant services	449,192		
Student transportation services	169,557	7,130	
Central support services	49,062		
Food services operations	27,968	284,377	
Community services	93,671	21,372	
Activity expenditures	80,833		
Capital outlay	121,544	23,527	\$ 24,066
Debt service:			
Principal retirement			80,000
Interest and fiscal charges			75,867
TOTAL EXPENDITURES	4,831,690	681,572	179,933
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	163,141	65,301	(179,933)
OTHER FINANCING SOURCES (USES)			
Transfers in	7,952	18,180	155,867
Transfers out	(174,047)	(7,952)	
TOTAL OTHER FINANCING SOURCES (USES)	(166,095)	10,228	155,867
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,954)	75,529	(24,066)
FUND BALANCES - JULY 1	1,148,619	54,879	24,066
FUND BALANCES - JUNE 30	<u>\$ 1,145,665</u>	<u>\$ 130,408</u>	<u>\$ 0</u>

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

PANGBURN SCHOOL DISTRICT
 WHITE 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)
REVENUES						
Property taxes	\$ 610,000	\$ 529,106	\$ (80,894)			
Property tax relief trust distribution		189,958	189,958			
State assistance	4,014,885	4,075,731	60,846	\$ 4,500	\$ 2,913	\$ (1,587)
Federal assistance				652,997	643,555	(9,442)
Activity revenues		82,270	82,270			
Meal sales				115,835	100,405	(15,430)
Investment income	1,000	689	(311)			
Other revenues	126,500	117,077	(9,423)			
TOTAL REVENUES	4,752,385	4,994,831	242,446	773,332	746,873	(26,459)
EXPENDITURES						
Regular programs	2,237,039	2,190,607	46,432	42,873	35,495	7,378
Special education	252,016	266,594	(14,578)	138,181	92,298	45,883
Workforce education	263,144	237,468	25,676			
Compensatory education	16,140	1,543	14,597	126,018	104,509	21,509
Other instructional programs	259,594	148,074	111,520			
Student support services	215,091	191,813	23,278	33,106	12,824	20,282
Instructional staff support services	247,399	222,189	25,210	136,594	99,619	36,975
General administration support services	130,978	126,636	4,342	1,317	421	896
School administration support services	371,451	356,875	14,576			
Business support services	108,415	98,064	10,351			
Operation and maintenance of plant services	486,565	449,192	37,373			
Student transportation services	265,897	169,557	96,340	45,109	7,130	37,979
Central support services	24,149	49,062	(24,913)			
Food services operations	43,250	27,968	15,282	282,213	284,377	(2,164)
Community services	114,050	93,671	20,379	22,800	21,372	1,428
Non-programmed costs	88,500		88,500			
Activity expenditures		80,833	(80,833)			
Capital outlay		121,544	(121,544)		23,527	(23,527)
TOTAL EXPENDITURES	5,123,678	4,831,690	291,988	828,211	681,572	146,639
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(371,293)	163,141	534,434	(54,879)	65,301	120,180

PANGBURN SCHOOL DISTRICT
 WHITE 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)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 2,492,337	\$ 7,952	\$ (2,484,385)	\$ 833	\$ 18,180	\$ 17,347
Transfers out	(2,651,737)	(174,047)	2,477,690	(833)	(7,952)	(7,119)
 TOTAL OTHER FINANCING SOURCES (USES)	 (159,400)	 (166,095)	 (6,695)	 0	 10,228	 10,228
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (530,693)	 (2,954)	 527,739	 (54,879)	 75,529	 130,408
 FUND BALANCES - JULY 1	 1,069,584	 1,148,619	 79,035	 54,879	 54,879	
 FUND BALANCES - JUNE 30	 \$ 538,891	 \$ 1,145,665	 \$ 606,774	 \$ 0	 \$ 130,408	 \$ 130,408

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

PANGBURN SCHOOL DISTRICT
WHITE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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 Pangburn School 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).

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.

PANGBURN SCHOOL DISTRICT
 WHITE 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	50
Buildings	50
Equipment	5-20

F. Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 10 of the same calendar year. Property taxes that are due at the end of the fiscal year and collected within 60 days are accrued. Deferred property taxes are not recognized.

PANGBURN SCHOOL DISTRICT
 WHITE COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance Designations

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.

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	1,077,063	1,308,180
Total Deposits	\$ 1,277,063	\$ 1,508,180

3: RECEIVABLES

The receivables of \$60,707 at June 30, 2005, are as follows:

Class of Receivable	General Fund
Taxes:	
Local	\$ 41,977
Accounts	18,730
Total	\$ 60,707

PANGBURN SCHOOL DISTRICT
 WHITE COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

4: COMMITMENTS

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
07/15/03	02/01/22	1.5 - 5.7%	\$ 760,000	\$ 705,000	\$ 55,000
08/01/03	02/01/22	2.0 - 4.125%	1,225,000	1,140,000	85,000
Totals			<u>\$ 1,985,000</u>	<u>\$ 1,845,000</u>	<u>\$ 140,000</u>

Changes in Long-term Debt

	Balance July 1, 2004	Retired	Balance June 30, 2005
Bonds payable	<u>\$ 1,925,000</u>	<u>\$ 80,000</u>	<u>\$ 1,845,000</u>

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

Year Ended June 30,	Principal	Interest	Total
2006	\$ 80,000	\$ 153,199	\$ 233,199
2007	85,000	156,299	241,299
2008	85,000	154,069	239,069
2009	85,000	151,839	236,839
2010	90,000	154,279	244,279
2011-2015	505,000	773,903	1,278,903
2016-2020	625,000	781,650	1,406,650
2021-2022	290,000	310,906	600,906
Totals	<u>\$ 1,845,000</u>	<u>\$ 2,636,144</u>	<u>\$ 4,481,144</u>

5: INTERFUND TRANSFERS

The District transferred \$155,867 from General Fund to Debt Service Fund to provide funding for debt service payments. The District also transferred \$7,952 from Special Revenue Fund to General Fund to reimburse related expenditures paid by the General Fund.

PANGBURN SCHOOL DISTRICT
WHITE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

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, 2005, 2004 and 2003 were \$384,562, \$308,827 and \$264,051, respectively, equal to the required contributions for each year.

PANGBURN SCHOOL DISTRICT
 WHITE COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2005

Schedule 1

	Balance July 1, 2004	Additions	Deletions	Balance June 30, 2005
<i>Nondepreciable capital assets:</i>				
Land	\$ 145,546			\$ 145,546
<i>Depreciable capital assets:</i>				
Buildings	3,789,822			3,789,822
Improvements/infrastructure	293,461	\$ 10,160		303,621
Equipment	1,066,907	158,977	\$ 39,979	1,185,905
Total depreciable capital assets	<u>5,150,190</u>	<u>169,137</u>	<u>39,979</u>	<u>5,279,348</u>
Less accumulated depreciation for:				
Buildings	1,345,876	70,249		1,416,125
Improvements/infrastructure	81,703	14,671		96,374
Equipment	684,271	83,492	39,979	727,784
Total accumulated depreciation	<u>2,111,850</u>	<u>168,412</u>	<u>39,979</u>	<u>2,240,283</u>
Total depreciable capital assets, net	<u>3,038,340</u>	<u>725</u>		<u>3,039,065</u>
Capital assets, net	<u>\$ 3,183,886</u>	<u>\$ 725</u>	<u>\$ 0</u>	<u>\$ 3,184,611</u>

PANGBURN SCHOOL DISTRICT
 WHITE 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
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	73-09	\$ 29,420
National School Lunch Program	10.555	73-09	115,048
Total State Department of Education			144,468
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	73-09	16,532
Child and Adult Food Care Food Program	10.558	73-09	23,261
Summer Food Service Program for Children	10.559	73-09	3,470
Total State Department of Human Services			43,263
TOTAL CHILD NUTRITION CLUSTER			187,731
 OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	73-09	117,014
Special Education - Grants to States	84.027	73-09	117,060
Vocational Education - Basic Grants to States	84.048	73-09	1,305
State Grants For Innovative Programs	84.298	73-09	4,595
Education Technology State Grants	84.318	73-09	2,963
Reading First State Grants	84.357	73-09	89,715
Improving Teacher Quality State Grants	84.367	73-09	35,495
Total U. S. Department of Education			368,147
 <u>U. S. Department of Health and Human Services:</u>			
Passed Through State Department of Human Services:			
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	73-09	3,200
TOTAL OTHER PROGRAMS			371,347
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 559,078

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 Pangburn School District 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.

PANGBURN SCHOOL DISTRICT
 WHITE 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, 10.555	Child Nutrition Cluster
84.010	Title I Grants To Local Education Agencies

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

Auditee qualified as low-risk auditee? yes no

PANGBURN SCHOOL DISTRICT
WHITE COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2005

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITIONS

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.

PANGBURN SCHOOL DISTRICT
WHITE 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.