

Mayflower School District No. 78

Faulkner County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2005



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FAULKNER COUNTY, ARKANSAS
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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
INDEPENDENT AUDITOR'S REPORT

Mayflower School District No. 78 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 Mayflower School District No. 78 (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 March 23, 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

A handwritten signature in black ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
March 23, 2006
EDSD11905

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*

Mayflower School District No. 78 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 Mayflower School District No. 78 (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 March 23, 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
March 23, 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

Mayflower School District No. 78 and School Board Members
Legislative Joint Auditing Committee

Compliance

We have audited the compliance of the Mayflower School District No. 78 (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
March 23, 2006

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2005

Exhibit A

	Governmental Funds		
	Major		Fiduciary Fund Types
	General	Special Revenue	
ASSETS			
Cash	\$ 371,930	\$ 19,739	\$ 57,440
Accounts receivable	29,766		
Property taxes receivable	170,905		
TOTAL ASSETS	\$ 572,601	\$ 19,739	\$ 57,440
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 5,498	\$ 96	
Due student groups			\$ 57,440
Total Liabilities	5,498	96	57,440
Fund Balances:			
Unreserved:			
Undesignated	567,103	19,643	
TOTAL LIABILITIES AND FUND BALANCES	\$ 572,601	\$ 19,739	\$ 57,440

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

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER 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	\$ 1,423,731		
Property tax relief trust distribution	291,761		
State assistance	4,012,458	\$ 2,762	
Federal assistance	1,084	521,517	
Activity revenues	71,944		
Meal sales		86,180	
Investment income	8,502		
Other revenues	32,400	18,144	
TOTAL REVENUES	5,841,880	628,603	
EXPENDITURES			
Regular programs	2,543,546	26,523	
Special education	390,227	75,730	
Workforce education	125,571		
Compensatory education	19,990	118,839	
Other instructional programs	143,634		
Student support services	239,338	23,658	
Instructional staff support services	306,249	45,213	
General administration support services	232,114	4,902	
School administration support services	256,914		
Business support services	52,415	2,721	
Operation and maintenance of plant services	369,522		
Student transportation services	205,861	14,224	
Central support services	91,225	170	
Food services operations		334,698	
Non-programmed costs	25,210	36,626	
Activity expenditures	83,292		
Capital outlay	239,727	26,681	
Debt service:			
Principal retirement	48,217		\$ 138,425
Interest and fiscal charges	9,939		179,159
TOTAL EXPENDITURES	5,382,991	709,985	317,584
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	458,889	(81,382)	(317,584)
OTHER FINANCING SOURCES (USES)			
Transfers in		84,319	317,584
Transfers out	(392,903)	(9,000)	
Value of installment contract	14,250		
Loan proceeds	40,000		
TOTAL OTHER FINANCING SOURCES (USES)	(338,653)	75,319	317,584
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	120,236	(6,063)	0
FUND BALANCES - JULY 1	446,867	25,706	0
FUND BALANCES - JUNE 30	\$ 567,103	\$ 19,643	\$ 0

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

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER 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	\$ 1,538,800	\$ 1,423,731	\$ (115,069)			
Property tax relief trust distribution	3,500	291,761	288,261			
State assistance	4,056,492	4,012,458	(44,034)	\$ 3,236	\$ 2,762	\$ (474)
Federal assistance		1,084	1,084	521,127	521,517	390
Activity revenues		71,944	71,944			
Meal sales				103,800	86,180	(17,620)
Investment income	3,000	8,502	5,502			
Other revenues	8,970	32,400	23,430		18,144	18,144
TOTAL REVENUES	5,610,762	5,841,880	231,118	628,163	628,603	440
EXPENDITURES						
Regular programs	2,623,315	2,543,546	79,769	37,616	26,523	11,093
Special education	442,401	390,227	52,174	68,749	75,730	(6,981)
Workforce education	135,370	125,571	9,799			
Compensatory education	20,743	19,990	753	132,664	118,839	13,825
Other instructional programs	184,826	143,634	41,192			
Student support services	227,476	239,338	(11,862)	55,185	23,658	31,527
Instructional staff support services	296,242	306,249	(10,007)	33,086	45,213	(12,127)
General administration support services	269,541	232,114	37,427	4,220	4,902	(682)
School administration support services	231,011	256,914	(25,903)			
Business support services	53,395	52,415	980	7,297	2,721	4,576
Operation and maintenance of plant services	390,968	369,522	21,446			
Student transportation services	198,465	205,861	(7,396)	19,750	14,224	5,526
Central support services	55,899	91,225	(35,326)		170	(170)
Other support services	4,000		4,000			
Food services operations				259,782	334,698	(74,916)
Community services				250		250
Non-programmed costs	30,000	25,210	4,790	34,890	36,626	(1,736)
Activity expenditures		83,292	(83,292)			
Capital outlay	193,313	239,727	(46,414)	1,000	26,681	(25,681)
Debt service:						
Principal retirement	37,839	48,217	(10,378)			
Interest and fiscal charges	9,178	9,939	(761)			
TOTAL EXPENDITURES	5,403,982	5,382,991	20,991	654,489	709,985	(55,496)

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER 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)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 206,780	\$ 458,889	\$ 252,109	\$ (26,326)	\$ (81,382)	\$ (55,056)
OTHER FINANCING SOURCES (USES)						
Transfers in	27,307		(27,307)		75,319	75,319
Transfers out	(344,605)	(392,903)	(48,298)			
Value of installment contract		14,250	14,250			
Loan proceeds		40,000	40,000			
TOTAL OTHER FINANCING SOURCES (USES)	(317,298)	(338,653)	(21,355)		75,319	75,319
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(110,518)	120,236	230,754	(26,326)	(6,063)	20,263
FUND BALANCES - JULY 1	394,157	446,867	52,710	26,326	25,706	(620)
FUND BALANCES - JUNE 30	\$ 283,639	\$ 567,103	\$ 283,464	\$ 0	\$ 19,643	\$ 19,643

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

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER 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 Mayflower 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:

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.

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.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER 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 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.

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
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.

G. Fund Balance Designations

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

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)	\$ 100,000	\$ 100,000
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	349,109	439,730
Total Deposits	\$ 449,109	\$ 539,730

3: RECEIVABLES

The receivables of \$200,671 at June 30, 2005 are as follows:

Class of Receivable	General Fund
Taxes:	
Local	\$ 170,905
Property tax relief trust distribution	29,766
Totals	\$ 200,671

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

4: COMMITMENTS

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

A. Operating Lease (noncapital leases with initial noncancellable lease terms in excess of one year)

General description of lease and leasing arrangements:

Sharp AR-407 Digital Imager, sixty (60) months, \$203

1. Future minimum rental payments (aggregate) at June 30, 2005: \$3,458
2. Basis on which contingent rental payments are determined, if applicable: n/a
3. Future minimum rental payments for the (2) succeeding years:

Year Ended June 30,	Amount
2006	\$ 2,436
2007	1,022
Total	\$ 3,458

Operating Lease (noncapital leases with initial noncancellable lease terms in excess of one year)

General description of lease and leasing arrangements:

Ricoh 1075 copier, sixty (60) months, \$520 per month

1. Future minimum rental payments (aggregate) at June 30, 2005: \$25,465
2. Basis on which contingent rental payments are determined, if applicable: n/a
3. Future minimum rental payments for the (5) succeeding years:

Year Ended June 30,	Amount
2006	\$ 6,240
2007	6,240
2008	6,240
2009	6,240
2010	505
Total	\$ 25,465

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

4: COMMITMENTS (CONTINUED)

- A. Operating Lease (noncapital leases with initial noncancellable lease terms in excess of one year)
 (Continued)

General description of lease and leasing arrangements:
 Ricoh copiers, sixty (60) months, \$650 per month

1. Future minimum rental payments (aggregate) at June 30, 2005: \$33,778
2. Basis on which contingent rental payments are determined, if applicable: n/a
3. Future minimum rental payments for the (5) succeeding years:

Year Ended June 30,	Amount
2006	\$ 7,800
2007	7,800
2008	7,800
2009	7,800
2010	2,578
Total	\$ 33,778

- B. Long-term Debt Issued and Outstanding

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

of Issue	Maturity	Interest	and Issued	June 30, 2005	June 30, 2005
07/01/03	06/01/27	4.10-5.00	\$ 658,425	\$ 490,000	\$ 168,425
07/01/03	06/01/27	3.10-4.10	4,405,495	4,320,000	85,495
12/12/03	05/01/13	4.95	50,000	40,000	10,000
02/23/04	05/01/13	4.95	125,000	100,000	25,000
08/05/04	07/05/07	4.49	14,250	10,491	3,759
03/15/05	08/22/05	5.7	40,000	40,000	0
Totals			\$ 5,293,170	\$ 5,000,491	\$ 292,679

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2005

4: COMMITMENTS (CONTINUED)

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

Changes in Long-term Debt

	Balance July 1, 2004	Issued	Retired	Balance June 30, 2005
Bonds payable	\$ 4,948,425		\$ 138,425	\$ 4,810,000
Certificates of indebtedness	157,500		17,500	140,000
Capital leases	26,958		26,958	
Installment contracts		\$ 14,250	3,759	10,491
Loan payable		40,000		40,000
Totals	\$ 5,132,883	\$ 54,250	\$ 186,642	\$ 5,000,491

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

Year Ended June 30,	Principal	Interest	Total
2006	\$ 207,646	\$ 182,983	\$ 390,629
2007	172,425	177,208	349,633
2008	172,920	172,374	345,294
2009	177,500	167,286	344,786
2010	182,500	161,560	344,060
2011-2015	972,500	712,892	1,685,392
2016-2020	1,100,000	539,465	1,639,465
2021-2025	1,370,000	305,295	1,675,295
2026-2027	645,000	39,975	684,975
Totals	\$ 5,000,491	\$ 2,459,038	\$ 7,459,529

5: ACCOUNTS, SALARIES AND OTHER PAYABLES

The payables of \$5,594 at June 30, 2005, are as follows:

	General Fund	Special Revenue Fund	Total
Accounts	\$ 5,498	\$ 96	\$ 5,594

6: INTERFUND TRANSFERS

The District transferred \$75,319 to the Food Service Fund to help supplement the food service operations. They also transferred \$317,584 to the Debt Service Fund to pay for debt service obligations.

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

7: 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 \$510,599, \$430,378 and \$344,847, respectively, equal to the required contributions for each year.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER 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	\$ 85,692				\$ 85,692
Construction in progress	1,048,320	\$ 14,774		\$ (1,048,320)	14,774
Total nondepreciable capital assets	<u>1,134,012</u>	<u>14,774</u>		<u>(1,048,320)</u>	<u>100,466</u>
<i>Depreciable capital assets:</i>					
Buildings	5,599,318	91,427	\$ 100,648	1,048,320	6,638,417
Improvements/infrastructure	346,660	13,450			360,110
Equipment	887,719	221,101	31,537		1,077,283
Total depreciable capital assets	<u>6,833,697</u>	<u>325,978</u>	<u>132,185</u>	<u>1,048,320</u>	<u>8,075,810</u>
Less accumulated depreciation for:					
Buildings	1,481,568	143,231	32,309		1,592,490
Improvements/infrastructure	190,344	16,968			207,312
Equipment	326,740	135,011	21,822		439,929
Total accumulated depreciation	<u>1,998,652</u>	<u>295,210</u>	<u>54,131</u>		<u>2,239,731</u>
Total depreciable capital assets, net	<u>4,835,045</u>	<u>30,768</u>	<u>78,054</u>		<u>5,836,079</u>
Capital assets, net	<u>\$ 5,969,057</u>	<u>\$ 45,542</u>	<u>\$ 78,054</u>	<u>\$ 0</u>	<u>\$ 5,936,545</u>

Note: Additions on this schedule do not agree with capital outlay on Exhibit B due to donated equipment in the amount of \$74,344.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER 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	63-01	\$ 31,095
National School Lunch Program	10.555	63-01	<u>124,599</u>
Total State Department of Education			<u>155,694</u>
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	63-01	<u>15,165</u>
TOTAL CHILD NUTRITION CLUSTER			<u>170,859</u>
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	63-01	124,777
Special Education - Grants to States	84.027	63-01	170,452
Individuals With Disabilities Education Act	84.173	63-01	5,106
Safe and Drug-Free Schools and Communities - State Grants	84.186	63-01	2,311
Innovative Education Program Strategies	84.298	63-01	5,630
Education Technology State Grants	84.318	63-01	1,916
Teacher Quality Enhancement Grant	84.336	63-01	<u>35,238</u>
TOTAL OTHER PROGRAMS			<u>345,430</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 516,289</u></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 Mayflower School District No. 78 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.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER 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
84.027	Special Education-Grants To States

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

Auditee qualified as low-risk auditee? yes no

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER 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.

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER 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.