

Mayflower School District No. 78

Faulkner County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2007

LEGISLATIVE JOINT AUDITING COMMITTEE



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FAULKNER COUNTY, ARKANSAS
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Arkansas



Roger A. Norman, JD, 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, 2007, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2007, or the changes in financial position for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 14, 2008 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1), 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
August 14, 2008
EDSD11907

Sen. Randy Laverrey
Senate Co-Chair
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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, 2007, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated August 14, 2008. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2007, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the regulatory basis of accounting as prescribed or permitted by Arkansas Code such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of Federal Award Programs - Findings and Questioned Costs as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2007-1 and 2007-2 in the accompanying schedule of Federal Award Programs - Findings and Questioned Costs to be material weaknesses.

Compliance and Other Matters

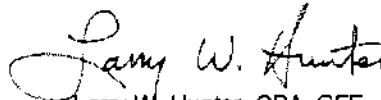
As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, 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*.

We noted certain matters that we reported to management of the District in a separate letter dated August 14, 2008.

The District's response to the findings identified in our audit, excluding the management letter findings, is described in the accompanying schedule of Federal Award Programs – Findings and Questioned Costs. We did not audit the District's response and, accordingly, we express no opinion on it.

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

DIVISION OF LEGISLATIVE AUDIT


Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 14, 2008

Sen. Randy Laverre
Senate Co-Chair
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Arkansas



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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, 2007. 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.

As described in item 2007-3 in the accompanying schedule of Federal Award Programs - Findings and Questioned Costs, the District did not comply with requirements regarding allowable costs/cost principles that are applicable to its Child Nutrition Cluster. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, 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, 2007.

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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

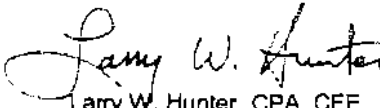
Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the District's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of Federal Award Programs - Findings and Questioned Costs as item 2007-3 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control. Of the significant deficiency in internal control over compliance described in the accompanying schedule of Federal Award Programs - Findings and Questioned Costs, we consider item 2007-3 to be a material weakness.

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

DIVISION OF LEGISLATIVE AUDIT


Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 14, 2008

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LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

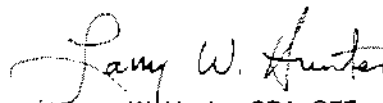
Mayflower School District No. 78 and School Board Members
Legislative Joint Auditing Committee

As a management service, we would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations and achieve adequate internal controls. These matters were discussed previously with District officials during the course of our audit fieldwork and at the exit conference.

1. Ark. Code Ann. § 6-5-307 requires any increase in the Educational Excellence Trust Fund to be used by the District to provide salary increases for current certified personnel. Our examination of salary requirements disclosed an increase of \$59,375 that was not distributed to certified personnel.
2. The District did not comply with ethics law Ark. Code Ann. § 6-24-101 et seq., which requires Board and Arkansas Department of Education approval, relating to the following transactions:
 - The District purchased commodities, totaling \$140,409, from a vendor employing a family member of a Board member.
 - The District purchased computer equipment, costing \$48,871, from a District employee.
3. The District could not provide documentation that bids were solicited for the installation of lights at the baseball field in the amount of \$15,854. Ark. Code Ann. § 6-21-304 requires bids be obtained for applicable purchases equal to or in excess of \$10,000.

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

DIVISION OF LEGISLATIVE AUDIT


Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 14, 2008

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2007

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 477,429	\$ 60,396	\$ 957,078	\$ 47,937
Due from other funds			350,000	
TOTAL ASSETS	\$ 477,429	\$ 60,396	\$ 1,307,078	\$ 47,937
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 11,479	\$ 2,996		\$ 1,516
Due student groups				46,421
Due to other funds	350,000			
Deferred taxes	32,096			
Total Liabilities	393,575	2,996		47,937
Fund Balances:				
Reserved:				
Capital projects			\$ 1,307,076	
Unreserved:				
Undesignated	83,654	57,400		
Total Fund Balances	83,654	57,400	1,307,076	
TOTAL LIABILITIES AND FUND BALANCES	\$ 477,429	\$ 60,396	\$ 1,307,078	\$ 47,937

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, 2007

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 1,776,279		
State assistance	4,777,962	\$ 3,300	
Federal assistance	2,040	692,436	
Activity revenues	112,372		
Meal sales		139,526	
Investment income	89,028		\$ 9,199
Other revenues	36,236		
TOTAL REVENUES	6,793,917	835,262	9,199
EXPENDITURES			
Regular programs	3,457,109	45,104	
Special education	427,517	45,046	
Workforce education	157,583		
Compensatory education	14,498	136,310	
Other instructional programs	171,121		
Student support services	233,928	39,783	
Instructional staff support services	212,934	45,452	
General administration support services	199,712	69,761	
School administration support services	426,162		
Business support services	261,342	7,527	
Operation and maintenance of plant services	653,271	11,333	
Student transportation services	489,537	31,971	4,854
Other support services	5,601		
Food services operations	31,399	386,107	
Facilities acquisition and construction services	16,682		301,105
Non-programmed costs	55,293	41,570	
Activity expenditures	114,377		
Debt Service:			
Principal retirement	49,997		150,000
Interest and fiscal charges	17,312		251,010
TOTAL EXPENDITURES	6,995,375	859,944	706,969
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(201,458)	(24,682)	(697,770)
OTHER FINANCING SOURCES (USES)			
Transfers in	150,000	51,541	322,442
Transfers out	(373,983)		(150,000)
Early retirement of debt	(5,341)		
Proceeds from loans payable	139,800		
TOTAL OTHER FINANCING SOURCES (USES)	(89,524)	51,541	172,442
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(290,982)	26,859	(525,328)
FUND BALANCES - JULY 1	374,836	30,541	1,832,406
FUND BALANCES - JUNE 30	\$ 63,854	\$ 57,400	\$ 1,307,078

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

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2007

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,948,017	\$ 1,776,279	\$ (171,738)			
State assistance	4,756,262	4,777,962	21,700	\$ 3,000	\$ 3,300	\$ 300
Federal assistance		2,040	2,040	675,824	692,438	16,512
Activity revenues		112,372	112,372			
Meal sales				171,200	139,526	(31,674)
Investment income	15,000	89,028	74,028			
Other revenues	98,145	36,236	(61,909)	500		(500)
TOTAL REVENUES	6,817,424	6,793,917	(23,507)	850,624	835,262	(15,362)
EXPENDITURES						
Regular programs	3,496,411	3,457,109	39,302	46,788	45,104	1,684
Special education	434,481	427,517	6,964	51,205	45,046	6,159
Workforce education	149,100	157,583	(8,483)			
Compensatory education	22,061	14,498	7,563	163,778	136,310	27,468
Other instructional programs	219,222	171,121	48,101			
Student support services	246,996	233,928	13,068	44,921	39,763	5,158
Instructional staff support services	204,986	212,834	(7,968)	55,547	45,452	10,095
General administration support services	222,446	199,712	22,734	69,587	69,761	(174)
School administration support services	413,071	426,162	(13,091)			
Business support services	282,729	281,342	21,387	7,483	7,527	(44)
Operation and maintenance of plant services	475,760	653,271	(177,511)	3,125	11,333	(8,208)
Student transportation services	340,751	489,537	(148,786)	38,254	31,971	6,283
Other support services	8,000	5,601	399			
Food services operations		31,399	(31,399)	383,533	386,107	(2,574)
Facilities acquisition and construction services		16,682	(16,682)			
Non-programmed costs	28,375	55,293	(28,918)	43,005	41,570	1,435
Activity expenditures		114,377	(114,377)			
Debt Service:						
Principal retirement	18,150	49,997	(31,847)			
Interest and fiscal charges	11,650	17,312	(5,862)			
TOTAL EXPENDITURES	6,570,169	6,995,375	(425,206)	907,226	859,944	47,282

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, 2007

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 247,255	\$ (201,458)	\$ (448,713)	\$ (56,602)	\$ (24,682)	\$ 31,920
OTHER FINANCING SOURCES (USES)						
Transfers in	3,661,272	150,000	(3,511,272)	30,000	51,541	21,541
Transfers out	(3,854,178)	(373,983)	3,480,195			
Early retirement of debt		(5,341)	(5,341)			
Proceeds from loans payable		139,800	139,800			
TOTAL OTHER FINANCING SOURCES (USES)	(192,906)	(89,524)	103,382	30,000	51,541	21,541
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	54,349	(290,982)	(345,331)	(28,602)	26,859	53,461
FUND BALANCES - JULY 1	444,636	374,836	(69,800)	35,728	30,541	(5,187)
FUND BALANCES - JUNE 30	<u>\$ 498,985</u>	<u>\$ 83,854</u>	<u>\$ (415,131)</u>	<u>\$ 9,126</u>	<u>\$ 57,400</u>	<u>\$ 48,274</u>

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, 2007

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a five member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the 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, 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).

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, 2007

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. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

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

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.

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

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

F. **Property Taxes** (Continued)

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. **Interfund Receivables and Payables**

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

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

I. **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.

On-behalf payments as described at Note 11 are nonbudgeted data for the year ended June 30, 2007. Such payments are reported as actual revenues and expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis (Exhibit C).

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

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	1,442,790	1,761,666
Total Deposits	\$ 1,542,790	\$ 1,861,666

The above total deposits do not include cash on hand in the amount of \$50.

3: COMMITMENTS

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

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Elementary School	July 15, 2008	\$ 3,930,442

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

General description of leases and leasing arrangements: Various leases of office equipment with monthly payments ranging from \$180 to \$650 for up to 60 months

1. Future minimum rental payments (aggregate) at June 30, 2007: \$44,513
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2008	\$ 15,377
2009	15,377
2010	9,381
2011	4,378
Total	\$ 44,513

Rental payments for the operating leases described above were approximately \$23,450 for the year ended June 30, 2007.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

3: **COMMITMENTS** (Continued)

C. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2007	Maturities To June 30, 2007
6/1/02	6/1/27	4.15%	\$ 658,425	\$ 305,000	\$ 353,425
7/1/03	6/1/27	3.1 - 4.1%	4,405,495	4,210,000	195,495
5/15/06	6/1/36	3.65 - 4.625%	1,735,000	1,735,000	
9/13/05	9/13/10	6.45%	38,951	28,485	10,466
10/10/05	10/10/10	6.45%	60,639	38,832	21,807
3/15/07	11/15/11	4.75%	139,800	125,273	14,527
12/12/03	5/1/13	4.95%	50,000	30,000	20,000
2/23/04	5/1/13	4.95%	125,000	75,000	50,000
Totals			\$ 7,213,310	\$ 6,547,590	\$ 665,720

Changes in Long-term Debt

	Balance July 1, 2006	Issued	Retired	Balance June 30, 2007
Bonds payable	\$ 6,400,000		\$ 150,000	\$ 6,250,000
Certificates of indebtedness	122,500		17,500	105,000
Loans payable	90,628	\$ 139,800	37,838	192,590
Totals	\$ 6,613,128	\$ 139,800	\$ 205,338	\$ 6,547,590

*Includes \$5,341 early retirement of debt - See Note 5.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2007

3: COMMITMENTS (Continued)

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

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

Year Ended June 30,	Principal	Interest	Total
2008	\$ 241,854	\$ 255,928	\$ 497,782
2009	259,727	249,027	508,754
2010	267,364	239,385	506,749
2011	273,364	229,227	502,591
2012	247,761	219,491	467,272
2013-2017	1,197,500	973,514	2,171,014
2018-2022	1,455,000	732,097	2,187,097
2023-2027	1,820,000	409,960	2,229,960
2028-2032	395,000	144,762	539,762
2033-2036	390,000	46,250	436,250
Totals	<u>\$ 6,547,590</u>	<u>\$ 3,499,641</u>	<u>\$ 10,047,231</u>

4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

The accounts payable and accrued liabilities balance of \$15,991 at June 30, 2007, was comprised of the following:

Description	Governmental Funds		Fiduciary Fund Types	Total
	Major	Special Revenue		
	General	Special Revenue		
Vendor payables	\$ 10,707	\$ 2,996	\$ 1,516	\$ 15,219
Payroll withholdings and matching	<u>772</u>			<u>772</u>
Totals	<u>\$ 11,479</u>	<u>\$ 2,996</u>	<u>\$ 1,516</u>	<u>\$ 15,991</u>

5: EARLY RETIREMENT OF DEBT

The District retired principal of \$5,341 of the loan payable dated October 10, 2005 prior to the scheduled maturity date.

6: INTERFUND TRANSFERS

The District transferred \$322,442 from the general fund to the other aggregate funds for debt related payments and \$51,541 from the general fund to the special revenue fund to supplement its food services operations. The District also transferred \$150,000 from the other aggregate funds to the general fund to reimburse a prior year transfer for capital expenditures.

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

7: RELATED-PARTY TRANSACTIONS

The District purchased commodities, totaling \$140,409, from a vendor employing a family member of a Board member.

8: RETIREMENT PLAN

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14%. The District's contributions to ATRS for the years ended June 30, 2007, 2006 and 2005 were \$659,395, \$576,884 and \$510,599, respectively, equal to the required contributions for each year.

9: CONTINGENT LIABILITIES

The District issued a letter of credit in favor of the City of Mayflower in a sum not to exceed \$30,000 to ensure the District will complete repairs of roads and drainage structures as required by the City of Mayflower.

10: SUBSEQUENT EVENTS

Subsequent to the date of the financial statements, the District issued construction bonds of \$1,070,000.

11: ON-BEHALF PAYMENTS

The accompanying financial statements reflect on-behalf payments of \$50,326 for health insurance premiums paid by the Arkansas Department of Education.

12: RISK MANAGEMENT

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

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

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

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007

12: RISK MANAGEMENT (Continued)

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2007
 (Unaudited)

Schedule 1

	Balance June 30, 2007
<i>Nondepreciable capital assets:</i>	
Land	\$ 179,140
Construction in progress	317,725
Total nondepreciable capital assets	496,865
 <i>Depreciable capital assets:</i>	
Buildings	6,676,402
Improvements/infrastructure	457,321
Equipment	1,296,737
Total depreciable capital assets	8,430,460
 <i>Less accumulated depreciation for:</i>	
Buildings	1,875,936
Improvements/infrastructure	234,823
Equipment	672,961
Total accumulated depreciation	2,783,720
 Total depreciable capital assets, net	 5,646,740
 Capital assets, net	 \$ 6,143,605

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2007

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying 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	\$ 38,936
National School Lunch Program	10.555	63-01	<u>154,658</u>
TOTAL CHILD NUTRITION CLUSTER			<u>193,594</u>
OTHER PROGRAMS			
<u>U. S. Department of Agriculture</u>			
Food Donation (Note 2)			
	10.550	63-01	762
Passed Through State Department of Health and Human Services:			
Food Donetion (Note 3)	10.550	63-01	9,131
Total U. S. Department of Agriculture			<u>9,913</u>
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	63-01	119,548
Special Education - Grants to States	84.027	63-01	183,281
Safe and Drug-Free Schools and Communities - State Grants	84.186	63-01	1,521
Fund for the Improvement of Education	84.215	63-01	1,298
Twenty-First Century Community Learning Centers	84.287	63-01	104,996
Improving Teecher Quality State Grants	84.367	63-01	45,104
Total U. S. Department of Education			<u>435,748</u>
TOTAL OTHER PROGRAMS			<u>445,661</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 639,255</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 preparation of, the regulatory basis financial statements.
- Note 2: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the State Department of Health and Human Services.
- Note 4: During the year ended June 30, 2007, the District received Medicaid funding of \$26,322 from the State Department of Health and Human Services. Such payments are not considered Federal awards expended and therefore are not included in the above schedule.

MAYFLOWER SCHOOL DISTRICT NO. 78
 FAULKNER COUNTY, ARKANSAS
 FEDERAL AWARD PROGRAMS -
 FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2007

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
- Significant deficiencies 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
- Significant deficiencies 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 for all major programs except for the Child Nutrition Cluster, which was qualified.

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

Identification of major programs:

CFDA Numbers	Name of Federal Programs or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I Grants - Local Educational Agencies
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, 2007

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCIES

2007-1. Segregation of Duties

Criteria: Financial accounting duties should be distributed among appropriate employees to enhance the design of the internal control process to ensure the preparation of reliable financial statements that are fairly presented in conformity with the regulatory basis of accounting.

Condition: The District has not segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting.

Context: Completion of internal control questionnaire.

Effect: Financial accounting duties are not distributed among the District's employees to sufficiently reduce the risk that a material misstatement of the financial statements due to fraud or error will not be prevented or detected.

Cause: Cost/benefit implications hinder the District's ability to adequately segregate financial accounting duties among employees.

Recommendation: To achieve effective internal control over financial reporting, accounting duties should be distributed among appropriate employees.

Views of responsible officials and planned corrective actions: We concur with the recommendation and will implement this to the extent financially feasible.

2007-2. Misstatements not Detected by Internal Control System

Criteria: Financial accounting records should be accurate to ensure the preparation of financial statements that are fairly presented in conformity with the regulatory basis of accounting.

Condition: The District's internal control system did not prevent or detect material errors in the financial accounting records. Such records are utilized in the preparation of the District's financial statements. The District incorrectly transferred \$350,000 to the general fund from the capital projects fund, which is included in the other aggregate funds. The \$350,000 represented funds reserved for capital expenditures and the District transferred the funds back to the appropriate fund in September of 2007. However, at June 30, 2007, the District did not properly recognize the funds due back to the capital projects fund. The financial statements were subsequently corrected by adjusting entries during the audit fieldwork.

Context: Necessary adjustment to the accounting records.

Effect: Funds reserved for capital expenditures were transferred to the general fund, and the corresponding misstatement to the financial accounting records was not detected by the District's internal control system.

Recommendation: District management should implement procedures to ensure reserved funds are used for intended purposes and accounting records are properly monitored.

Views of responsible officials and planned corrective actions: We concur with the recommendation and will establish procedures to ensure correct management of these funds.

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 3

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCY

U. S. DEPARTMENT OF AGRICULTURE
PASSED THROUGH STATE DEPARTMENT OF EDUCATION
CHILD NUTRITION CLUSTER - CFDA 10.553 AND 10.555
PASS-THROUGH NUMBER 63-01
AUDIT PERIOD - YEAR ENDED JUNE 30, 2007

2007-3. Allowable Costs/Cost Principles

Criteria: Office of Management and Budget (OMB) Circular No. A-87 establishes principles and standards for determining allowable costs from federal awards.

Condition: The District expended \$4,077 for salaries and benefits for the District's bookkeeper and \$10,258 for utilities, a total of \$14,335. These expenditures were not charged utilizing an approved allocation method.

Questioned costs: Total questioned costs of \$14,335 were detected.

Context: Examined bookkeeper's contract and District's worksheet for proration of utilities.

Effect: Program funds were incorrectly utilized to pay salaries and benefits for an administrative employee and utilities.

Cause: District did not utilize an appropriate allocation method for certain costs and there was a lack of management oversight and controls over program expenditures.

Recommendation: The District should contact the Child Nutrition section of the Arkansas Department of Education for further instructions regarding these questioned costs.

Views of responsible officials and planned corrective actions: Funds have been reimbursed to the food service account.

MAYFLOWER SCHOOL DISTRICT NO. 78
FAULKNER COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2007

Schedule 4

There were no findings in the prior audit.