

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
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JUNE 30, 2006

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Sen. Randy Laverty  
Senate Co-Chair  
Rep. J R Rogers  
House Co-Chair  
Sen. Bobby L. Glover  
Senate Co-Vice Chair  
Rep. Johnny Hoyt  
House Co-Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Academics Plus Charter School and Charter 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 Academics Plus Charter School (the "Charter School"), as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of Charter School 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 Charter School 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 Charter School as of June 30, 2006, or the changes in financial position for the year then ended. Further, the Charter School 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 Charter School as of June 30, 2006, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 22, 2008 on our consideration of the Charter School'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 Charter School's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) is presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
January 22, 2008  
EDCS00106

Sen. Randy Laverty  
Senate Co-Chair  
Rep. J R Rogers  
House Co-Chair  
Sen. Bobby L. Glover  
Senate Co-Vice Chair  
Rep. Johnny Hoyt  
House Co-Vice Chair

# Arkansas



Roger A. Norman, JD, 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*

Academics Plus Charter School and Charter 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 Academics Plus Charter School (the "Charter School"), as of and for the year ended June 30, 2006, which collectively comprise the Charter School's regulatory basis financial statements, and have issued our report thereon dated January 22, 2008. We issued an adverse opinion because the Charter School prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the Charter School as of June 30, 2006, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Charter School's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the regulatory basis financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Charter School's ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described below in the Audit Findings section of this letter as items 1 and 2.

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 items 1 and 2 to be material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below in the Audit Findings section of this letter as item 2.

We also noted certain additional matters that we reported to management of the Charter School in a separate letter dated January 22, 2008.

## AUDIT FINDINGS

### Reportable Conditions

1. Financial accounting duties should be distributed among appropriate employees. The Charter School, because of limited financial resources, does not have adequate staff to segregate these duties to sufficiently reduce the risks of fraud or error and properly safeguard the Charter School's assets. To ensure the proper safeguarding of the Charter School's assets, management should distribute financial accounting duties among appropriate employees, to the extent possible.

Management response: That while effective internal controls include segregation of duties, as the result of the small size of the Charter School and thus, the limited personnel involved, it is difficult to distribute duties. One bookkeeper is employed and the intention is to have two people trained to be able to go into APSCN. However, since there have been five people in that position since the fall of 2006, it has been impossible to have that occur. While the fact one person is relied upon for the daily financial transactions of the Charter School, we do have the Board Treasurer, who reviews all the financials on a monthly basis. In addition, the Superintendent has the opportunity to review any and all documents, such as bank statements and invoices, at any time for any reason.

2. State law requires all expenditures be properly approved and documented. Internal controls over expenditures appear to be inadequate. In our sample of 40 expenditures, we noted eight invoices without indication of approval for payment, two expenditures without proper documentation, and that five expenditures were not properly classified. We also noted checks were not always issued in numerical order. Management did not implement procedures to properly authorize, process, and record expenditures. Inadequate controls over expenditures could result in misappropriation of assets and inaccurate recording of expenditures. Charter School management should implement procedures over expenditures that require proper approval, documentation, and accurate recording.

Management response: The Charter School was in a state of flux during the time of the audit, which most likely led to the missing documentation. The Bookkeeper is required to get the proper signature on all invoices. Before any checks are written or bills paid, the expenditure is reviewed before the Superintendent signs off on it. Anything that is spent is required to have a receipt before reimbursement is given. All expenditures have something to support them, such as a bill or invoice. The staff has been instructed to get prior approval before purchasing anything that would require a reimbursement. The Bookkeeper classifies expenses according to the category. For example, if the purchase was instructional materials for elementary teachers, it is coded and classified in that manner. The Charter School uses the state required reporting system, APSCN, for all financial documentation. Several forms have been introduced to assist in the appropriate documentation of transactions. There are two checking accounts, operating and activity. The Bookkeeper ensures that they are issued in numerical order. Payroll checks are now through direct deposit.

These reports are intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and Charter School management, state executive and oversight management, 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



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 22, 2008

Sen. Randy Laverly  
Senate Co-Chair  
Rep. J R Rogers  
House Co-Chair  
Sen. Bobby L. Glover  
Senate Co-Vice Chair  
Rep. Johnny Hoyt  
House Co-Vice Chair

# Arkansas



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

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Academics Plus Charter School and Charter School Board Members  
Legislative Joint Auditing Committee

As a management service, we would like to communicate the following other 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 Charter School officials during the course of our audit fieldwork and at the exit conference.

1. We noted the following deficiencies in the Charter School's capital asset records:
  - A. Serial numbers were not noted for each item on the capital asset listing.
  - B. Some items on the capital asset listing were not listed individually.
  - C. Location of assets noted on the listing was not always accurate.
  - D. We were unable to locate five computers and a projector that were on the capital asset listing.
  - E. Maxbook laptop computers on the capital asset listing were discarded without proper documentation.
2. The Charter School was unable to provide a performance based salary schedule, which meets or exceeds the state minimum base salary, as required by the charter issued by the Arkansas Department of Education. We recommend the Charter School contact the Arkansas Department of Education for guidance in this matter.
3. Employee leave records were not maintained by the Charter School.
4. The employment contract of the Superintendent contained an addendum authorizing the purchase of a laptop computer, which would become the property of the Superintendent upon the completion of the contract. The Superintendent completed her contract on June 14, 2006, and the value (\$1,354) of the computer was not reported to the Internal Revenue Service or the Arkansas Department of Finance and Administration as employee compensation.
5. The Charter School was unable to provide documentation to verify approval for tuition paid by the Charter School for the Principal. However, the Board Chairman indicated the Board had approved the tuition payment.

These reports are intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and Charter School management, state executive and oversight management, and other parties as required by Arkansas Code, and are not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Larry W. Hunter".

Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
January 22, 2008

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2006

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Fiduciary Fund Types
<b>ASSETS</b>			
Cash	\$ 29,954	\$ 2,054	\$ 5,705
Accounts receivable	6,309		
<b>TOTAL ASSETS</b>	<b>\$ 36,263</b>	<b>\$ 2,054</b>	<b>\$ 5,705</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 8,554		
Due student groups			\$ 5,705
Total Liabilities	8,554		5,705
Fund Balances:			
Unreserved:			
Undesignated	27,709	\$ 2,054	
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 36,263</b>	<b>\$ 2,054</b>	<b>\$ 5,705</b>

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

## ACADEMICS PLUS CHARTER SCHOOL

Exhibit B

## PULASKI COUNTY, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2006

	Major	
	General	Special Revenue
REVENUES		
State assistance	\$ 1,145,619	
Federal assistance		\$ 5,475
Other revenues	322,460	
TOTAL REVENUES	1,468,079	5,475
EXPENDITURES		
Regular programs	680,991	5,832
Instructional staff support services	4,729	
General administration support services	274,433	
School administration support services	52,931	
Business support services	27,467	
Operation and maintenance of plant services	232,874	
Food services operations		5,635
Facilities acquisition and construction services	10,543	
Non-programmed costs	68,385	
TOTAL EXPENDITURES	1,352,353	11,467
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	115,726	(5,992)
OTHER FINANCING SOURCES (USES)		
Transfers in		5,635
Transfers out	(5,635)	
TOTAL OTHER FINANCING SOURCES (USES)	(5,635)	5,635
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	110,091	(357)
FUND BALANCES - JULY 1	(82,382)	2,411
FUND BALANCES - JUNE 30	\$ 27,709	\$ 2,054

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

ACADEMICS PLUS CHARTER SCHOOL  
 PULASKI COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2006

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
State assistance	\$ 1,556,620	\$ 1,145,619	\$ (411,001)	\$ 30,000	\$ 5,475	\$ (24,525)
Federal assistance						
Other revenues	13,200	322,460	309,260			
<b>TOTAL REVENUES</b>	<b>1,569,820</b>	<b>1,468,079</b>	<b>(101,741)</b>	<b>30,000</b>	<b>5,475</b>	<b>(24,525)</b>
<b>EXPENDITURES</b>						
Regular programs	853,942	680,991	172,951	13,500	5,832	7,668
Instructional staff support services	1,132	4,729	(3,597)			
General administration support services	185,142	274,433	(89,291)			
School administration support services	55,493	52,931	2,562			
Business support services	50,789	27,467	23,322			
Operation and maintenance of plant services	346,103	232,874	113,229			
Food services operations		10,543	(10,543)	25,000	5,635	19,365
Facilities acquisition and construction services		68,385	(43,385)			
Non-programmed costs	25,000					
<b>TOTAL EXPENDITURES</b>	<b>1,517,601</b>	<b>1,352,353</b>	<b>165,248</b>	<b>38,500</b>	<b>11,467</b>	<b>27,033</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>52,219</b>	<b>115,726</b>	<b>63,507</b>	<b>(8,500)</b>	<b>(5,992)</b>	<b>2,508</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	706,070		(706,070)		5,635	5,635
Transfers out	(706,070)	(5,635)	700,435			
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>(5,635)</b>	<b>(5,635)</b>		<b>5,635</b>	<b>5,635</b>

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2006

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 52,219	\$ 110,091	\$ 57,872	\$ (8,500)	\$ (357)	\$ 8,143
FUND BALANCES - JULY 1	(99,259)	(82,382)	16,877	2,411	2,411	
FUND BALANCES - JUNE 30	\$ (47,040)	\$ 27,709	\$ 74,749	\$ (6,089)	\$ 2,054	\$ 8,143

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

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Board of Education, a nine member group, is the level of government, which has responsibilities over all activities related to public education within the jurisdiction of the Academics Plus Charter School (Charter School). There are no component units. The Charter School is an open-enrollment charter school and the sponsoring entity is Pulaski Charter School, Inc.

**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.

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.

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

C. Measurement Focus and Basis of Accounting (Continued)

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The Charter School 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. Fund Balance Designation

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

G. Budget and Budgetary Accounting

The Charter School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The Charter School 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 charter schools employ the cash basis method.

The Charter School 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.

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

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

G. Budget and Budgetary Accounting (Continued)

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

On-behalf payments as described at Note 8 are nonbudgeted financial data for the year ended June 30, 2006. 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).

**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)	\$ 37,638	\$ 100,000
Uninsured, Uncollateralized		17,290
	\$ 37,638	\$ 117,290

The above total deposits do not include cash on hand in the amount of \$75.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Charter School's deposits may not be returned to it. The Charter School does not have a formal deposit policy for custodial credit risk. As of June 30, 2006, \$17,290 of the Charter School's bank balance of \$117,290 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	<u>\$17,290</u>
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**3: COMMITMENTS**

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

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

General description of leases and leasing arrangements:

Three buildings for five-year terms with monthly payments ranging from \$4,302 to \$10,640

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**3: COMMITMENTS (CONTINUED)**

1. Future minimum rental payments (aggregate) at June 30, 2006: \$319,430
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2007	\$ 149,190
2008	127,680
2009	42,560
Total	\$ 319,430

**4: INTERFUND TRANSFERS**

The District transferred \$5,635 from the general fund to the special revenue fund to supplement its food services operations.

**5: RETIREMENT PLAN**

Arkansas Teacher Retirement System

**Plan Description.** The Charter School 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 Charter School's contributions to ATRS for the year ended June 30, 2006 was \$85,735, equal to the required contributions. The Charter School's contributions to ATRS for the years ended June 30, 2005 and 2004 were not available.

**6: PRIOR YEAR RESTATEMENT**

The beginning general fund balance was increased by \$12,416. The increase was comprised of an adjustment of \$16,876 for building repairs recorded as accounts payable in the prior year, which were paid by the Maumelle Public Facilities Board and reclassification of student activity accounts of \$4,460 as agency funds.

**7: PENDING LITIGATION**

A former employee has filed a lawsuit against the Charter School, claiming a breach of contract and other related issues. Compensation and damages are being sought. No trial date has been established. No accrual has been recognized in the accompanying financial statements regarding this matter.

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2006

**8: ON-BEHALF PAYMENTS**

The accompanying financial statements reflect on-behalf payments of \$7,991 for health insurance premiums paid by the Arkansas Department of Education.

**9: Risk Management**

The Charter School participates in the Central Arkansas Risk Management Association (CARMA) public entity risk pool for coverage in the following areas:

Building and Contents Program – This program covers Charter School owned property as listed on the statement of values. Coverage is limited to \$100,000 per building/location. Excess limits are provided up to the actual replacement cost limits of the property as per the statement of values, annual aggregate of \$75,000,000 per location for buildings and contents. Electronic data processing equipment has an additional \$400,000 per occurrence.

General Liability Program – The program shall provide legal defense in civil rights suits against a participating school and pay judgments imposed on administrators and employees and the school and school-formed boards and commissions. Coverage is limited to \$250,000 per case only if immunity does not apply. Errors and omissions are limited to \$250,000 per occurrence. This program also provides for loss of money (\$50,000 each and every loss), employee fidelity (\$100,000 each occurrence), and electronic data processing equipment, media and extra expense (\$100,000 each occurrence).

Participating members' deductible is \$10,000 for each occurrence.

The Charter school agrees to pay into the program each year a charge established by CARMA based on cost allocation formulas for the participating entities.

The Charter School also 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.

ACADEMICS PLUS CHARTER SCHOOL  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2006  
(Unaudited)

Schedule 1

	Balance June 30, 2006
<i>Nondepreciable capital assets:</i>	
Land	\$ 65,305
<i>Depreciable capital assets:</i>	
Buildings	154,184
Improvements/infrastructure	30,579
Equipment	106,435
Total depreciable capital assets	291,198
Less accumulated depreciation for:	
Buildings	14,335
Improvements/infrastructure	7,892
Equipment	62,922
Total accumulated depreciation	85,149
Total depreciable capital assets, net	206,049
Capital assets, net	\$ 271,354