

# Exhibit 1

Arkansas Department of Education  
Report to the House and Senate Interim Committee on Education  
Wednesday, August 23, 2006

Item E: Review of the Accounting Needs of School Districts and the Arkansas Department of Education, as Required by Act 57 of the Second Extraordinary Session of 2003. Mr. Bill Goff, Director, Arkansas Public School Computer Network

Act 28 of the First Extraordinary Session of 2006 states:

On or before November 1, 2006, the House Interim Committee on Education, the Senate Interim Committee on Education, and the Department of Education shall jointly study potential upgrades in public school district accounting and reporting systems that would result in prompt availability of crucial information, including, but not limited to:

1. The cost to the state of any potential upgrades;
2. The time necessary to implement any upgrades; and
3.
  - a. A definition of the term “unallocated balances” which will ensure uniform treatment of fund balances throughout public school districts.
  - b. In studying possible definitions of the term “unallocated balances”, the committees shall consider the amount, if any, appropriate for a public school district to maintain as a fund balance for future contingencies.
  - c. In conducting the study, the House Interim Committee on Education and the Senate Interim Committee on Education shall seek the cooperation of representatives from the Arkansas Association of Educational Administrators (AAEA), the Arkansas Association of School Business Officials (AASBO), the Arkansas Education Association (AEA), the education service cooperatives, and the Legislative Joint Auditing Committee.
  - d. On or before December 1, 2006, the House Interim Committee on Education and the Senate Interim Committee on Education shall issue a report to the Speaker of the House and the President Pro Tempore of the Senate regarding the results of the study and the recommendations of the committee.

AASBO Coding Committee:

APSCN asked AASBO to appoint a committee made up of representatives from various sized districts and various geographical areas for the purpose of making recommendations related to the requirements of Act 28 and for the purpose of making recommendations as to the process of providing prompt reliable information needed by the legislature for making policy decisions affecting adequate, equitable education in the state. AASBO appointed the following committee:

Judy Clampit, Jonesboro  
Dana Newberg, Nashville  
Ellen Terry, Ft. Smith  
Robyn Keene, Benton  
Kathy Hanlon, Rogers  
Mark Milhollen, Little Rock  
Kathy Hudson, Texarkana  
Dama Smith, Mountainburg  
Joyce Hopkins, Monticello  
Joy Powers, Paragould

The committee has met four times since its initial June meeting and has, with the help of Jerri Derlilowski from the Bureau of Legislative Research attempted to identify the “crucial information” described in Act 28. Once identified, the information has been categorized as: (1) currently reported, (2) available in existing software but not reported and (3) not currently available. The committee has considered ways to obtain information from both the student and financial software for the purpose of identified the allocation of resources based on standards, core subjects and adequacy. Options available in the soon to be implemented state data warehouse are being considered also.

This AASBO committee is continuing to meet and plans to finalize its report and recommendations no later than October 1, 2006.

#### APSCN’s Efforts to Improve Reliabilty and Timeliness of School Financial Data:

Problems associated with financial data seem to fall into at least one of the following categories:

- Accuracy
- Consistency
- Timeliness

Problems associated with accuracy and consistency can often be attributed to inadequate or poorly communicated directions from the state. The State Accounting Manual has been overhauled and with the cooperation of AAEEA and AASBO several well-attended classes have been provided by APSCN in order to communicate financial coding requirements. The implementation of the state data warehouse will make information much more readily accessible and will help address the problem with timeliness.