

Parkin School District No. 14

Cross County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2004



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CROSS COUNTY, ARKANSAS
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Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Parkin School District No. 14 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 Parkin School District No. 14 (the "District"), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2004, or the changes in financial position thereof for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2004, 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 July 21, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1), Expenditures of Federal Awards (Schedule 2), as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Federal Award Programs – Findings and Questioned Costs (Schedule 3) and Federal Award Programs – Summary of Prior Audit Findings (Schedule 4) are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. The Expenditures of Federal Awards (Schedule 2), Federal Award Programs – Findings and Questioned Costs (Schedule 3) and Federal Award Programs – Summary of Prior Audit Findings (Schedule 4) have been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, in our opinion, are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole. The Schedule of Capital Assets (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT

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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
July 21, 2005
EDSD09804

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Lavery
Senate Co-Vice Chair
Rep. Sandra Prater
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Parkin School District No. 14 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 Parkin School District No. 14 (the "District"), as of and for the year ended June 30, 2004, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated July 21, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Department of Education, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the regulatory basis financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the 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. We noted no matters involving the internal control over financial reporting and its operation that we consider 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, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

These reports are intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, district management, the federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

William R. Baum

William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
July 21, 2005

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
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House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Parkin School District No. 14 and School Board Members
Legislative Joint Auditing Committee

Compliance

We have audited the compliance of the Parkin School District No. 14 (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, 2004. 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 grant agreements applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

These reports are intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, district management, the federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

William R. Baum

William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
July 21, 2005

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2004

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 407,239	\$ 156,342		\$ 1,675
Property taxes receivable	31,681			
Deposit with paying agent	1,526		\$ 6,250	
TOTAL ASSETS	\$ 440,446	\$ 156,342	\$ 6,250	\$ 1,675
LIABILITIES AND FUND BALANCES				
Liabilities:				
Due student groups				\$ 1,675
Fund Balances:				
Unreserved:				
Designated:				
Debt service			\$ 6,250	
Undesignated	\$ 440,446	\$ 156,342		
Total Fund Balances	440,446	156,342	6,250	
TOTAL LIABILITIES AND FUND BALANCES	\$ 440,446	\$ 156,342	\$ 6,250	\$ 1,675

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

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes	\$ 461,386		
Property tax relief trust distribution	56,520		
State assistance	1,608,766	\$ 2,050	
Federal assistance		822,059	
Activity revenues	20,019		
Meal sales		4,980	
Investment income	1,428		
Other revenues	16,382	100	
TOTAL REVENUES	2,164,501	829,189	
EXPENDITURES			
Regular programs	925,137	33,986	
Special education	168,230	72,381	
Workforce education	87,098		
Compensatory education	11,324	192,500	
Other instructional programs	61,036		
Student support services	66,360	1,729	
Instructional staff support services	88,197	214,426	
General administration support services	142,747	76,307	
School administration support services	172,000		
Business support services	101,915		
Operation and maintenance of plant services	273,037	1,339	
Student transportation services	55,823	2,253	
Central support services	35,381	3,011	
Other support services	2,459		
Food services operations	36,067	155,172	
Non-programmed costs	8,510	7,339	
Activity expenditures	23,353		
Capital outlay	29,124		
Debt service:			
Principal retirement	25,624		\$ 30,000
Interest and fiscal charges	6,221		13,943
TOTAL EXPENDITURES	2,319,643	760,443	43,943
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(155,142)	68,746	(43,943)
OTHER FINANCING SOURCES (USES)			
Transfers in			43,231
Transfers out	(43,231)		
TOTAL OTHER FINANCING SOURCES (USES)	(43,231)		43,231
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(198,373)	68,746	(712)
FUND BALANCES - JULY 1	638,819	87,596	6,962
FUND BALANCES - JUNE 30	\$ 440,446	\$ 156,342	\$ 6,250

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

PARKIN SCHOOL DISTRICT NO. 14
 CROSS 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, 2004

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 410,775	\$ 461,386	\$ 50,611			
Property tax relief trust distribution	65,000	56,520	(8,480)			
State assistance	1,555,163	1,608,766	53,603	\$ 1,500	\$ 2,050	\$ 550
Federal assistance				804,009	822,059	18,050
Activity revenues		20,019	20,019			
Meal sales				5,400	4,980	(420)
Investment income	5,000	1,428	(3,572)			
Other revenues	5,127	16,382	11,255		100	100
TOTAL REVENUES	2,041,065	2,164,501	123,436	810,909	829,189	18,280
EXPENDITURES						
Regular programs	1,000,425	925,137	75,288	34,380	33,986	394
Special education	175,129	168,230	6,899	79,793	72,381	7,412
Workforce education	89,276	87,098	2,178			
Compensatory education	11,514	11,324	190	249,745	192,500	57,245
Other instructional programs	70,285	61,036	9,249			
Student support services	82,568	66,360	16,208	12,000	1,729	10,271
Instructional staff support services	85,132	88,197	(3,065)	194,960	214,426	(19,466)
General administration support services	135,309	142,747	(7,438)	75,718	76,307	(589)
School administration support services	177,396	172,000	5,396			
Business support services	69,110	101,915	(32,805)			
Operation and maintenance of plant services	327,428	273,037	54,391	1,500	1,339	161
Student transportation services	55,017	55,823	(806)	2,319	2,253	66
Central support services	49,016	35,381	13,635	4,000	3,011	989
Other support services	5,000	2,459	2,541			
Food services operations		36,067	(36,067)	177,566	155,172	22,394
Non-programmed costs		8,510	(8,510)	16,678	7,339	9,339
Activity expenditures		23,353	(23,353)			
Capital outlay	6,000	29,124	(23,124)			
Debt service:						
Principal retirement	26,906	25,624	1,282			
Interest and fiscal charges	6,467	6,221	246			
TOTAL EXPENDITURES	2,371,978	2,319,643	52,335	848,659	760,443	88,216

PARKIN SCHOOL DISTRICT NO. 14
 CROSS 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, 2004

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (330,913)	\$ (155,142)	\$ 175,771	\$ (37,750)	\$ 68,746	\$ 106,496
OTHER FINANCING SOURCES (USES)						
Transfers in	1,369,094		(1,369,094)	28,330		(28,330)
Transfers out	(1,404,150)	(43,231)	1,360,919	(28,330)		28,330
TOTAL OTHER FINANCING SOURCES (USES)	(35,056)	(43,231)	(8,175)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(365,969)	(198,373)	167,596	(37,750)	68,746	106,496
FUND BALANCES - JULY 1	638,597	638,819	222	87,142	87,596	454
FUND BALANCES - JUNE 30	\$ 272,628	\$ 440,446	\$ 167,818	\$ 49,392	\$ 156,342	\$ 106,950

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

PARKIN SCHOOL DISTRICT NO. 14
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five (5) member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Parkin School District (District). There are no component units.

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

Other governmental funds consist of the following:

Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Fund types include the following:

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an *Other Comprehensive Basis of Accounting* (OCBOA). This basis of accounting is prescribed by Arkansas Code Annotated §10-4-412(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 of 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.

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

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 District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Property Taxes

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

G. Fund Balance Designations

1. Designated fund balance - represents that portion of the fund balance which indicates tentative plans for financial resource utilization in a future period.
2. Undesignated fund balance - indicates that portion of the fund balance not reserved or designated.

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The District does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the school districts employ the cash basis method.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Regulatory Basis.

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

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured, Collateralized	465,256	623,275
Total Deposits	\$ 565,256	\$ 723,275

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

3: COMMITMENTS

The District was contractually obligated for the following at June 30, 2004:

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, 2004	Maturities To June 30, 2004
11/12/97	11/12/07	5.988%	\$ 91,206	\$ 38,169	\$ 53,037
11/1/99	1/1/11	4.75 - 5%	343,831	245,000	98,831
10/4/02	9/4/07	5.41%	38,590	26,299	12,291
10/4/02	9/4/07	5.41%	41,490	28,175	13,315
Totals			<u>\$ 515,117</u>	<u>\$ 337,643</u>	<u>\$ 177,474</u>

Changes in Long-term Debt

	Balance July 1, 2003	Retired	Balance June 30, 2004
Bonds payable	\$ 275,000	\$ 30,000	\$ 245,000
Capital leases	33,464	7,165	26,299
Installment contracts	84,803	18,459	66,344
Totals	<u>\$ 393,267</u>	<u>\$ 55,624</u>	<u>\$ 337,643</u>

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

Year Ended June 30,	Principal	Interest	Total
2005	\$ 55,869	\$ 16,797	\$ 72,666
2006	57,357	13,883	71,240
2007	63,932	10,884	74,816
2008	45,485	7,719	53,204
2009	35,000	5,750	40,750
2010-2011	80,000	6,000	86,000
Totals	<u>\$ 337,643</u>	<u>\$ 61,033</u>	<u>\$ 398,676</u>

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

3: COMMITMENTS (Continued)

Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2004
Office equipment	\$ 38,590
	June 30, 2004
Total Minimum Lease Payments	\$ 28,724
Less: Amount Representing Interest	2,425
Total Present Value of Net Minimum Lease Payments	\$ 26,299

4: INTERFUND TRANSFERS

The District transferred \$43,231 from the general fund to the other aggregate funds for debt related payments.

5: RETIREMENT PLANS

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 13%. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$176,226, \$163,949 and \$158,335, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$36,478, \$35,994 and \$20,755, respectively, equal to the required contributions for each year.

Additionally, the District contributed \$1,862 during the year ended June 30, 2004 for employees participating in the Teacher Deferred Retirement Option Plan.

PARKIN SCHOOL DISTRICT NO. 14
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

5: RETIREMENT PLANS (Continued)

Arkansas Public Employees Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. PERS 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS 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 statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2004, 2003 and 2002 were \$1,928, \$2,255 and \$2,897, respectively, equal to the required contributions for each year.

6: SUBSEQUENT EVENTS

On August 18, 2004, the District executed a debt agreement of \$29,878 for a surveillance and security system.

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<i>Nondepreciable capital assets:</i>				
Land	\$ 33,424			\$ 33,424
<i>Depreciable capital assets:</i>				
Buildings	2,178,459	\$ 61,600		2,240,059
Improvements/infrastructure	17,212		\$ 450	16,762
Equipment	660,011	29,124	108,600	580,535
Total depreciable capital assets	<u>2,855,682</u>	<u>90,724</u>	<u>109,050</u>	<u>2,837,356</u>
Less accumulated depreciation for:				
Buildings	1,446,350	53,645		1,499,995
Improvements/infrastructure	8,584	838		9,422
Equipment	453,507	41,619	57,861	437,265
Total accumulated depreciation	<u>1,908,441</u>	<u>96,102</u>	<u>57,861</u>	<u>1,946,682</u>
Total depreciable capital assets, net	<u>947,241</u>	<u>(5,378)</u>	<u>51,189</u>	<u>890,674</u>
Capital assets, net	<u>\$ 980,665</u>	<u>\$ (5,378)</u>	<u>\$ 51,189</u>	<u>\$ 924,098</u>

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2004

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	19-03-000	\$ 36,443
National School Lunch Program	10.555	19-03-000	97,516
Total State Department of Education			133,959
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	1902	9,416
TOTAL CHILD NUTRITION CLUSTER			143,375
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	19-03	241,917
Special Education - Grants to States	84.027	1903	69,907
Safe and Drug-Free Schools and Communities - State Grants	84.186	19-03	6,515
Innovative Education Program Strategies	84.298	1903	3,200
Education Technology State Grants	84.318	1903	5,560
Comprehensive School Reform Demonstration	84.332	1903	15,964
Reading Excellence	84.338	1903	202,473
Improving Teacher Quality State Grants	84.367	1903	54,047
TOTAL OTHER PROGRAMS			599,583
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 742,958

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 Parkin School District No. 14 and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note 2: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.

PARKIN SCHOOL DISTRICT NO. 14
 CROSS COUNTY, ARKANSAS
 FEDERAL AWARD PROGRAMS -
 FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2004

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes none reported

Type of auditor's report issued on compliance for major programs: unqualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Programs or Cluster
84.010	Title I Grants - Local Educational Agencies
84.338	Reading Excellence

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No findings noted.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings and questioned costs noted.

PARKIN SCHOOL DISTRICT NO. 14
CROSS COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2004

Schedule 4

There were no findings in the prior audit.