

Wynne School District No. 9

Cross County, Arkansas

**Basic Financial Statements
and Other Reports
June 30, 2003**

LEGISLATIVE JOINT AUDITING COMMITTEE



WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
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JUNE 30, 2003

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Senate Co-Chair
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House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Wynne School District No. 9 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Wynne School District No. 9 (the "District"), as of and for the year ended June 30, 2003, which collectively comprise the District's basic 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.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2003, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 3, 2004 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 grants. 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.

As described in Note 1, the District adopted the provisions of the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, Governmental Accounting Standards Board Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus* and Governmental Accounting Standards Board Statement No. 38, *Certain Financial Statement Note Disclosures*, effective July 1, 2002.

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements of the District. The Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

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
June 3, 2004
EDSD09903

Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverly
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Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

COMBINED REPORT(S) ON COMPLIANCE, INTERNAL CONTROLS AND OTHER MATTERS

Wynne School District No. 9 and School Board Members
Legislative Joint Auditing Committee

The underlying purpose of this letter is to convey certain observations and recommendations regarding state and federal compliance and internal control in conjunction with our audit of the Wynne School District No. 9. This letter reflects various requirements and pronouncements of the American Institute of Certified Public Accountants (AICPA), the United States General Accounting Office (GAO), the United States Office of Management and Budget (OMB), the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. Section I of this letter is designed to satisfy certain requirements for compliance and internal control over financial reporting, whereas, Section II is designed to satisfy certain requirements for compliance requirements applicable to each major federal award program and internal control over compliance in accordance with OMB Circular A-133.

SECTION I: REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the basic financial statements of the Wynne School District No. 9 (the "District"), as of and for the year ended June 30, 2003, and have issued our report thereon dated June 3, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the District's basic 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 federal contracts and grants, 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 that are required to be reported under *Government Auditing Standards*.

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 opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are disclosed below in the Audit Findings section of this letter.

A material weakness is a 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 in amounts that would be material in relation to the general purpose 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 the finding below to be a material weakness.

AUDIT FINDINGS

Reportable Condition(s)

The District had inadequate control over cash transactions because of insufficient segregation of duties due to a limited number of personnel.

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

Compliance

We have audited the compliance of the Wynne School District No. 9 (the "District") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. 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 generally accepted auditing standards; 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, 2003.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with 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 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 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 is 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

A handwritten signature in black ink that reads "William R. Baum". The signature is written in a cursive style with a prominent initial "W".

William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 3, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis, (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationship in which the District acts solely as a trustee or agent for the benefit of others.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with a comparison of the District's budget for the year.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or position.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities are classified as follows:

- Governmental activities: The District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like federal grants).

The District has two kinds of funds:

Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.

Fiduciary funds – The District is a trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purpose and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

The financial statements have been prepared using the new format specified in the Governmental Accounting Standards Board (GASB) Statement Number 34. GASB Statement Number 34 does not require comparative information from the previous fiscal year in the year of implementation. Accordingly, the District has not provided comparative data from the fiscal year ended June 30, 2002. A comparative analysis of district-wide data will be presented in future periods.

Assets – The District's total current assets at June 30, 2003, were \$6,391,116. Capital assets, net of accumulated depreciation of \$6,641,092, were \$19,040,232. The total assets were \$25,431,348.

Liabilities – The District's total liabilities at June 30, 2003, were \$8,676,121. The liabilities consisted of current liabilities of \$446,121 and long-term liabilities of \$8,230,000.

Net Assets – The net assets consisted of the following at June 30, 2003:

- Invested in capital assets, net of related debt - \$10,365,232
- Restricted - \$1,452,040
- Unrestricted - \$4,937,955
- Net assets totaled - \$16,755,227

Program Revenues – Program revenues for the year ended June 30, 2003, were \$3,066,871. Such revenues consisted of \$2,433,591 operating grants and contributions, \$55,504 capital grants and contributions, and \$577,776 charges for services.

General Revenues – General revenues for the year ended June 30, 2003, consisted primarily of \$4,831,380 property taxes, \$11,241,545 state aid not restricted to specific purposes, and \$687,090 property tax relief distribution.

Total Revenues – Total revenues, consisting of programs and general revenues, were \$20,231,584.

Program Expenses – Total expenses, primarily by function, were \$17,732,182 for the year ended June 30, 2003.

The net (expense) revenue, which is a comparison of expenses to program revenues, reflected a deficiency of \$14,665,311 for the year ended June 30, 2003.

The change in net assets for the year ended June 30, 2003, was an increase of \$2,306,831.

The District's improved financial position was primarily due to an increase in state and federal assistance. Additionally, property taxes receivable (net) of \$2,031,606 was reported at June 30, 2003, in accordance with GASB Statement Number 33.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2003, the District had invested \$19,040,232 in a broad range of capital assets, including school buildings, athletic facilities, computer and audiovisual equipment, and administrative offices, net of accumulated depreciation. Total depreciation expense for the year was \$852,980.

Long-Term Debt

At year-end the District had \$8,675,000 in general obligation bonds. On November 1, 2003, the District issued refunding bonds of \$6,886,691 at interest rates from 2.75% to 3.75%, which were used to payoff certain previous bond issues with interest rates from 3.6% to 5.35%.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

The financial report is designed to provide our taxpayers, customers, investors and auditors with a general overview of the District's finance and to demonstrate the District's accountability for money it receives. If you have questions about this report or need additional financial information, contact the District's Central Office, Wynne School District, P. O. Box 69, Wynne, AR 72396.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2003

Exhibit A

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,814,645
Investments	1,544,865
Property taxes receivable (net)	2,031,606
Total current assets	6,391,116
Noncurrent Assets:	
Capital Assets (net of accumulated depreciation of \$6,641,092)	19,040,232
TOTAL ASSETS	25,431,348
 LIABILITIES	
Current Liabilities:	
Payroll withholdings	1,121
Long-term obligations	
Due within one year	
Bonds payable	445,000
Total current liabilities	446,121
Noncurrent Liabilities:	
Due beyond one year	
Bonds payable	8,230,000
TOTAL LIABILITIES	8,676,121
 NET ASSETS	
Invested in capital assets, net of related debt	10,365,232
Restricted for:	
Special programs	861,217
Capital projects	590,823
Unrestricted	4,937,955
TOTAL NET ASSETS	\$ 16,755,227

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

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Exhibit B

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Regular instruction	\$ 7,700,347	\$ 214,124	\$ 306,511	\$ (7,179,712)
Special education instruction	1,250,328		274,877	(975,451)
Workforce education instruction	850,973		164,656	\$ 55,504
Other instruction	799,813	92	693,344	(106,377)
Total instruction	10,601,461	214,216	1,439,388	(8,892,353)
Support services:				
Student services	773,280	57,656	126,930	(588,694)
Instructional staff services	621,958	7,788	16,093	(598,077)
General administration services	492,541		52,147	(440,394)
School administration services	796,717			(796,717)
Fiscal services	200,656			(200,656)
Operation and maintenance of plant services	2,129,965	6,100	81,790	(2,042,075)
Student transportation services	557,904		20,185	(537,719)
Central services	125,213			(125,213)
Other support services	15,388			(15,388)
Total support services	5,713,622	71,544	297,145	(5,344,933)
Operation of non-instructional services:				
Food services operations	960,602	292,016	697,058	28,472
Community services	4,432			(4,432)
Total operation of non-instructional services	965,034	292,016	697,058	24,040
Other uses:				
Interest and fees on long-term debt	452,065			(452,065)
Total school district	\$ 17,732,182	\$ 577,776	\$ 2,433,591	\$ 55,504
General revenues:				
Taxes:				
Property taxes, levied for general purposes				1,494,708
Property taxes, levied for debt service				2,883,730
Property taxes, levied for capital outlay				452,942
Property tax relief trust distribution				687,090
State aid not restricted for specific purposes				11,241,545
Investment income				79,403
Debt service supplemental funding				300,944
Other				24,351
Special items:				
Write-off and elimination of equipment below capitalization level				(138,536)
Adjustments to prior year capital assets				(46,502)
Loss on disposition of capital assets				(7,533)
Total general revenues and special items				16,972,142
Change in net assets				2,306,831
Net Assets - beginning of year as originally reported				29,445,307
Prior year general long-term debt				(9,117,731)
Cumulative effects of changes in accounting principles				(5,879,180)
Net Assets - beginning of year restated				14,448,396
Net Assets - ending of year				\$ 16,755,227

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

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2003

Exhibit C

	Major Governmental Fund Types			Total Governmental Funds
	General Fund	Special Revenue Fund	Capital Projects Fund	
ASSETS				
Cash and cash equivalents	\$ 1,128,778	\$ 861,217	\$ 824,650	\$ 2,814,645
Investments	1,133,077		411,788	1,544,865
Property taxes receivable (net)	1,841,143		190,463	2,031,606
TOTAL ASSETS	\$ 4,102,998	\$ 861,217	\$ 1,426,901	\$ 6,391,116
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payroll withholdings	\$ 1,121			\$ 1,121
Deferred revenues	1,716,868		\$ 177,607	1,894,475
Total Liabilities	1,717,989		177,607	1,895,596
Fund Balances:				
Unreserved:				
Undesignated, reported in:				
General fund	2,385,009			2,385,009
Special revenue fund		\$ 861,217		861,217
Capital projects fund			1,249,294	1,249,294
Total Fund Balances	2,385,009	861,217	1,249,294	4,495,520
TOTAL LIABILITIES AND FUND BALANCES	\$ 4,102,998	\$ 861,217	\$ 1,426,901	\$ 6,391,116

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

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2003

Exhibit D

Total Fund Balances - Governmental Funds		\$ 4,495,520
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	The cost of the assets is	\$ 25,681,324
	The accumulated depreciation is	<u>(6,641,092)</u>
		19,040,232
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds.		1,894,475
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:	Bonds payable	<u>8,675,000</u> <u>(8,675,000)</u>
Total Net Assets - Governmental Activities		<u>\$ 16,755,227</u>

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

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

Exhibit E

	Major Governmental Fund Types				Totals Governmental Funds
	General Fund	Special Revenue Fund	Debt Service Fund	Capital Projects Fund	
REVENUES					
Property taxes	\$ 2,661,571			\$ 275,334	\$ 2,936,905
State assistance	12,351,123	\$ 11,774			12,362,897
Federal assistance		2,355,745			2,355,745
Activity revenues	216,403				216,403
Meal sales		284,568			284,568
Interest on investments	53,362			22,649	76,011
Other revenues	31,395	73,185			104,580
TOTAL REVENUES	15,313,854	2,725,272		297,983	18,337,109
EXPENDITURES					
Current:					
Regular programs	7,041,781	244,372			7,286,153
Special education	1,073,623	174,461			1,248,084
Workforce education	665,808	172,673			838,481
Compensatory education	111,253	448,622			559,875
Other instructional programs	239,938				239,938
Support services	4,362,437	1,219,583		447,414	6,029,434
Community services	4,432				4,432
Activity expenditures	220,740				220,740
Capital outlay	76,564	106,547		1,381,331	1,564,442
Debt service:					
Principal retirement	22,731		\$ 420,000		442,731
Interest and fiscal charges	440		451,625		452,065
TOTAL EXPENDITURES	13,819,747	2,366,258	871,625	1,828,745	18,886,375
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,494,107	359,014	(871,625)	(1,530,762)	(549,266)

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

Exhibit E

	Major Governmental Fund Types			Totals Governmental Funds	
	General Fund	Special Revenue Fund	Debt Service Fund		Capital Projects Fund
OTHER FINANCING SOURCES (USES)					
Transfers in			\$ 871,625	\$ 23,016	\$ 894,641
Transfers out	\$ (894,641)				(894,641)
 TOTAL OTHER FINANCING SOURCES (USES)	 (894,641)		 871,625	 23,016	 0
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 599,466	 \$ 359,014		 (1,507,746)	 (549,266)
FUND BALANCES - JULY 1	1,785,543	502,203		2,757,040	5,044,786
FUND BALANCES - JUNE 30	\$ 2,385,009	\$ 861,217	\$ 0	\$ 1,249,294	\$ 4,495,520

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

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2003

Exhibit F

Net Change in Fund Balances - Governmental Funds \$ (549,266)

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay costs exceed depreciation in the current period.

Capital outlay	\$ 1,564,442	
Depreciation	<u>(852,980)</u>	711,462

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:		
Bonds issued	420,000	
Postdated warrants	<u>22,731</u>	
Net adjustment for debt related transactions		442,731

Adjustments to capital assets (i.e., write-off and elimination of equipment below capitalization level and adjustments to prior year balances) that do not result from current year purchases are not reflected in governmental funds. However, such changes are reflected in the statement of activities. (185,038)

Book value of capital asset dispositions during the fiscal year are not reflected in governmental funds. However, such changes are reflected in the statement of activities, net of the proceeds from the disposition of such assets, as a gain or loss. (7,533)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds and are, instead, recognized as deferred tax revenues. They are, however, recorded as revenues in the statement of activities. 1,894,475

Total Change in Net Assets - Governmental Activities \$ 2,306,831

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

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 STATEMENT OF FIDUCIARY NET ASSETS
 AS OF JUNE 30, 2003

Exhibit G

	Private-Purpose Trust	Agency Funds
ASSETS		
Cash and cash equivalents		\$ 32,121
Investments	\$ 29,056	
TOTAL ASSETS	\$ 29,056	\$ 32,121
 LIABILITIES		
Due to student groups		\$ 32,121
 NET ASSETS		
Reserved for scholarships	\$ 29,056	

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

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2003

Exhibit H

	Private-Purpose Trust
ADDITIONS	
Private donations	\$ 1,000
Interest	653
Total additions	1,653
DEDUCTIONS	
Scholarships awarded	4,000
Change in net assets	(2,347)
Net Assets - beginning	31,403
Net Assets - ending	\$ 29,056

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

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

This financial report has been prepared in conformity with GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, issued in June 1999.

B. REPORTING ENTITY

GASB Statement No. 14, *The Reporting Entity*, established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the District is considered a primary government, since it is a special purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, propose its own taxes or set rates or charges, and issue bonded debt. The District also has no component units; defined by GASB Statement No. 14 as other legally separate organizations for which the elected District members are financially accountable. There are no other primary governments with which the District has a significant relationship.

C. FUNDS

The District uses funds to maintain its financial records during the year. Fund accounting is designed to demonstrate legal compliance and to aid management by segregating transactions related to certain District functions and activities. A fund is defined as a separate fiscal and accounting entity with a self-balancing set of accounts.

Funds of the District are classified into two categories: governmental and fiduciary, as follows:

Governmental Funds

Governmental funds account for all or most of the District's general activities. These funds focus on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may be used. Current liabilities are assigned to the fund from which they will be paid. The difference between a governmental fund's assets and liabilities is reported as fund balance. In general, fund balance represents the accumulated expendable resources, which may be used to finance future period programs or operations of the District. The following are the District's governmental funds:

General fund – accounts for all non-restricted funds of the District and is the primary operating fund of the District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

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

C. **Funds (Continued)**

Governmental Funds (Continued)

Special revenue fund - accounts for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, or designated by the District to be accounted for separately.

Debt service fund - accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital projects fund - accounts for financial resources received and used for the acquisition, construction, or improvement of capital facilities not reported in the other governmental funds.

Fiduciary Funds

The fiduciary fund includes agency funds and private-purpose trust funds. The agency funds account for assets held by the District as an agent for other parties, such as school organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are reported using the accrual basis of accounting. Private-purpose trust funds report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments. Fiduciary fund reporting focuses on net assets and changes in net assets.

D. **MEASUREMENT FOCUS/BASIS OF ACCOUNTING**

Government-Wide Financial Statements (GWFS)

The Statement of Net Assets (Exhibit A) and the Statement of Activities (Exhibit B) display information about the reporting government as a whole. These statements include all the financial activities of the District, except for the fiduciary fund. Fiduciary fund activities are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange or exchange-like transactions are recognized when the exchange occurs (regardless of when cash is received or disbursed). Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

Program Revenues - Program revenues, included in the Statement of Activities (Exhibit B), derive directly from parties outside the District's taxpayers or citizenry. As a whole, program revenues reduce the net cost of the function to be financed from the District's general revenues. Such revenues include operating state and federal grants restricted for specific purposes and charges for services.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

Government-Wide Financial Statements (GWFS) (Continued)

Allocation of Indirect Expenses - The District reports all direct expenses by function in the Statement of Activities (Exhibit B). Direct expenses are those that are clearly identifiable with a function. Indirect expenses of other functions are not allocated to those functions but are reported separately in the Statement of Activities. Depreciation expense, which can be specifically identified by function, is included in the direct expenses of each. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities (Exhibit B).

Fund Financial Statements (FFS)

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit E) reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the GWFS are prepared. Governmental FFS therefore include reconciliation with brief explanations to better identify the relationship between the GWFS and the FFS.

FFS report detailed information about the District. The focus of governmental FFS is on major funds. Each major fund is presented in a separate column.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The District considers all revenues available if they are collected within 60 days after the fiscal year end. Expenditures are recorded when the related fund liability is incurred, except for interest and principal payments on general long-term debt which are recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Restricted/Unrestricted Resources

The District has no formal policy addressing which resources to use when both restricted and unrestricted net assets are available for the same purpose. District personnel decide which resources to use at the time funds are expended.

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.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (Continued)

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses).

Deferred Revenues

The District reports deferred revenues on its FFS balance sheet. Deferred revenues consist of property taxes due at June 30 but not available to pay current year liabilities.

E. BUDGETS

The District uses the following budget practices:

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.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Budgetary Comparison Schedule for Governmental Funds (Schedule 1) because only interfund transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit E).

F. INVESTMENTS

Investments consist of certificates of deposit classified as nonparticipating contracts and are reported at cost.

G. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Donated capital assets are reported at fair market value when received. The District maintains a threshold level of \$500 for capitalizing equipment. Library holdings are not capitalized.

Capital assets are reported in the GWFS, but are not reported in the FFS. No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land, are depreciated using the straight-line method over the following useful lives:

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

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. RESTRICTED NET ASSETS

For GWFS, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments;
2. Imposed by law through constitutional provisions or enabling legislation.

I. SPECIAL ITEMS

Special items are transactions or events within the control of the school board, which are either unusual in nature or infrequent in occurrence.

J. ACCOUNTING CHANGES

As a result of the adoption of the GASB Statement No. 34, the District was required to make certain changes in accounting principles, specifically, the adoption of depreciation on capital assets.

2. CASH AND CASH EQUIVALENTS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 369,055	\$ 369,055
Uninsured, Collateralized	2,429,079	2,432,766
Uninsured, Uncollateralized	47,917	297,637
Total Deposits	\$ 2,846,051	\$ 3,099,458

The above total deposits do not include cash on hand in the amount of \$715.

3. INVESTMENTS

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the District or its agent, in the District's name, holds the securities. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2003

3. INVESTMENTS (Continued)

Type of Investment	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of deposit	\$ 1,573,921	\$ 0	\$ 0	\$ 1,573,921	\$ 1,573,921

4. CAPITAL ASSETS

	Balance July 1, 2002	Additions	Deletions	Reclassi- fications	Balance June 30, 2003
<i>Capital assets not being depreciated:</i>					
Land	\$ 935,923				\$ 935,923
Construction in progress	2,173,106	\$ 1,234,514		\$ (3,407,620)	
Total capital assets not being depreciated	3,109,029	1,234,514		(3,407,620)	935,923
<i>Capital assets being depreciated:</i>					
Buildings	16,321,728	20,474	\$ 92,685	3,407,620	19,657,137
Improvements/infrastructure	737,726	100,519	14,216		824,029
Equipment	4,232,038	269,335	237,138		4,264,235
Total capital assets being depreciated	21,291,492	390,328	344,039	3,407,620	24,745,401
Less accumulated depreciation for:					
Buildings	3,158,981	398,929			3,557,910
Improvements/infrastructure	272,583	34,267			306,850
Equipment	2,447,616	419,784	91,068		2,776,332
Total accumulated depreciation	5,879,180	852,980	91,068		6,641,092
Total capital assets depreciated, net	15,412,312	(462,652)	252,971	3,407,620	18,104,309
Governmental activity capital assets, net	\$ 18,521,341	\$ 771,862	\$ 252,971	\$ 0	\$ 19,040,232

Depreciation was charged to functions as follows:

Regular instruction	\$ 193,455
Special education instruction	2,245
Workforce education instruction	12,492
Support services	629,836
Operation of non-instructional services	14,952
Total allocated depreciation	<u>\$ 852,980</u>

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

5. LONG-TERM OBLIGATIONS

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2003</u>	<u>Maturities to June 30, 2003</u>
4/1/92	6/1/07	4.5 - 5.25%	\$ 1,976,600	\$ 685,000	\$ 1,291,600
4/1/94	6/1/05	3.6 - 4.5%	886,950	190,000	696,950
3/1/97	2/1/17	4.3 - 5.2%	1,828,000	1,645,000	183,000
12/1/96	2/1/17	4.3 - 5.35%	4,286,400	4,065,000	221,400
3/1/01	2/1/17	3.75 - 4.6%	2,296,361	2,090,000	206,361
Totals			<u>\$ 11,274,311</u>	<u>\$ 8,675,000</u>	<u>\$ 2,599,311</u>

The following is a summary of the long-term obligation transactions for the year ended June 30, 2003:

	<u>Balance July 1, 2002</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2003</u>
Bonds payable	\$ 9,095,000		\$ 420,000	\$ 8,675,000
Postdated warrants	<u>22,731</u>		<u>22,731</u>	
Total	<u>\$ 9,117,731</u>	<u>\$ 0</u>	<u>\$ 442,731</u>	<u>\$ 8,675,000</u>

The following is a summary of the current (due in one year or less) and the long-term (due in more than one year) portions of long-term obligations as of June 30, 2003:

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Bonds payable	<u>\$ 445,000</u>	<u>\$ 8,230,000</u>	<u>\$ 8,675,000</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	\$ 445,000	\$ 430,745	\$ 875,745
2005	470,000	410,278	880,278
2006	495,000	388,540	883,540
2007	510,000	365,180	875,180
2008	530,000	340,500	870,500
2009 - 2013	3,100,000	1,286,025	4,386,025
2014 - 2017	<u>3,125,000</u>	<u>412,282</u>	<u>3,537,282</u>
Totals	<u>\$ 8,675,000</u>	<u>\$ 3,633,550</u>	<u>\$ 12,308,550</u>

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

6. INTERFUND TRANSFERS

The FFS reflects interfund transfers of \$871,625 from the general fund to the debt service fund for debt related payments. The FFS also includes interfund transfers of \$23,016 from the general fund to the capital projects fund to supplement capital expenditures.

7. RETIREMENT PLANS

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2003, 2002 and 2001 were \$1,000,192, \$961,048 and \$930,619, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2003, 2002 and 2001 were \$68,793, \$66,253 and \$56,846, respectively, equal to the required contributions for each year.

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, 2003, 2002 and 2001 were \$7,273, \$8,836 and \$13,085, respectively, equal to the required contributions for each year.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

8. SUBSEQUENT EVENTS

- A. On September 8, 2003, the District executed an installment contract for \$811,435 for the purchase of computers.
- B. On November 1, 2003, the District issued refunding bonds of \$6,886,691.
- C. On February 1, 2004, the District executed a contract of \$353,638 for the construction of an addition to the field house.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 BUDGETARY COMPARISON SCHEDULE FOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2003

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 2,882,000	\$ 2,936,905	\$ 54,905
State assistance	11,477,000	12,362,897	885,897
Federal assistance	565,000	2,355,745	1,790,745
Activity revenues		216,403	216,403
Meal sales	303,000	284,568	(18,432)
Interest on investments	80,000	76,011	(3,989)
Other revenues	32,945	104,580	71,635
TOTAL REVENUES	15,339,945	18,337,109	2,997,164
EXPENDITURES			
Regular programs	7,085,047	7,286,153	(201,106)
Special education	1,124,042	1,248,084	(124,042)
Workforce education	673,869	838,481	(164,612)
Compensatory education	662,847	559,875	102,972
Other instructional programs	1,184,850	239,938	944,912
Support services	4,693,128	6,029,434	(1,336,306)
Community services	4,696	4,432	264
Activity expenditures		220,740	(220,740)
Capital outlay	2,212,250	1,564,442	647,808
Debt service:			
Principal retirement	443,000	442,731	269
Interest and fiscal charges	452,331	452,065	266
TOTAL EXPENDITURES	18,536,060	18,886,375	(350,315)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,196,115)</u>	<u>(549,266)</u>	<u>2,646,849</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	9,090,665	894,641	(8,196,024)
Transfers out	(9,090,665)	(894,641)	8,196,024
TOTAL OTHER FINANCING SOURCES (USES)	<u>0</u>	<u>0</u>	<u>0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(3,196,115)</u>	<u>(549,266)</u>	<u>2,646,849</u>
FUND BALANCES - JULY 1	<u>5,385,355</u>	<u>5,044,786</u>	<u>(340,569)</u>
FUND BALANCES - JUNE 30	<u>\$ 2,189,240</u>	<u>\$ 4,495,520</u>	<u>\$ 2,306,280</u>

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2003

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	19-05-000	\$ 151,409
National School Lunch Program	10.555	19-05-000	472,773
Total State Department of Education			624,182
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	1903	61,102
TOTAL CHILD NUTRITION CLUSTER			685,284
 OTHER PROGRAMS			
<u>U. S. Department of Defense</u>			
ROTC (Note 3)	AR028239		21,529
 <u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	19-05	550,964
Special Education - Grants to States	84.027	1905	243,503
Vocational Education - Basic Grants to States	84.048	L19-05-000	55,504
Safe and Drug-Free Schools and Communities - State Grants	84.186	19-05	6,148
Tech-Prep Education	84.243	L19-05-000	164,656
Goals 2000 - State and Local Systemic Improvement Grants	84.276	GL-5P-35-02	70
Innovative Education Program Strategies	84.298	1905	16,831
Education Technology State Grants	84.318	1905	15,977
Reading First State Grants	84.357	1905	10,183
Rural Education	84.358	1905	44,445
Improving Teacher Quality State Grants	84.367	1905	144,951
Total U. S. Department of Education			1,253,232
TOTAL OTHER PROGRAMS			1,274,761
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 1,960,045

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 Wynne School District No. 9 and is presented on the accrual 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.
- Note 3: The Federal CFDA Number was not available. An alternative identifying number was utilized.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 FEDERAL AWARD PROGRAMS -
 FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2003

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
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I Grants - Local Educational Agencies

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

Auditee qualified as low-risk auditee? yes no

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION

2003-1. Segregation of Duties

Specific Requirement - Duties pertaining to cash transactions should be adequately segregated to reduce the opportunities for any individual in the normal course of his/her duties to both perpetuate and conceal errors or irregularities.

Condition - Duties pertaining to cash transactions were not adequately segregated. This condition could be applicable to the District's federal programs.

Effect - The District had inadequate control over cash transactions.

Cause - Duties pertaining to cash transactions were not adequately segregated due to a limited number of personnel.

Recommendation - Segregation of duties relating to cash transactions should be established to the extent possible.

Response - We concur with the recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings and questioned costs noted.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 4

There were no findings in the prior audit.