

Wynne School District No. 9

Cross County, Arkansas

Basic Financial Statements and Other Reports

June 30, 2004



WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
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 JUNE 30, 2004

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Sen. Henry "Hank" Wilkins, IV
Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
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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, 2004, 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, 2004, 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 May 2, 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 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.

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 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 basic 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 basic financial statements and, in our opinion, are 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
May 2, 2005
EDSD09904

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

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

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

We have audited the 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, 2004, which collectively comprise the District's basic financial statements and have issued our report thereon dated May 2, 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.

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 basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of Federal Award Programs – Findings and Questioned Costs as item 2004-1.

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 basic 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 finding number 2004-1 in the accompanying schedule of Federal Award Programs – Findings and Questioned Costs to be a material weakness.

Compliance and Other Matters

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 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
May 2, 2005

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

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

Compliance

We have audited the compliance of the Wynne School District No. 9 (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 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

William R. Baum

William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
May 2, 2005

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 explain 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’s 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 format specified in the Governmental Accounting Standards Board (GASB) Statement Number 34. Comparative data from June 30, 2003 has been included as required by GASB Statement Number 34.

Assets – The District’s total current assets at June 30, 2004 and June 30, 2003, were \$6,513,657 and \$6,391,116, respectively. Capital assets, net of accumulated depreciation of \$7,174,793 and \$6,641,092, were \$19,691,142 and \$19,040,232, respectively. The total assets were \$26,204,799 at June 30, 2004 and \$ 25,431,348 at June 30, 2003.

Liabilities – The District’s total liabilities at June 30, 2004 and June 30, 2003, were \$9,348,436 and \$8,676,121, respectively. The liabilities consisted of current liabilities of \$943,812 at June 30, 2004 and \$446,121 at June 30, 2003 and long-term liabilities of \$8,404,624 and \$8,230,000, at June 30, 2004 and June 30, 2003, respectively.

Net Assets – The net assets consisted of the following at June 30, 2004 and June 30, 2003, respectively:

- Invested in capital assets, net of related debt - \$10,570,191 and \$10,365,232
- Restricted - \$642,797 and \$1,452,040
- Unrestricted - \$5,643,375 and \$4,937,955
- Net assets totaled \$16,856,363 and \$16,755,227

Program Revenues – Program revenues for the year ended June 30, 2004 and June 30, 2003, respectively, were \$3,324,002 and \$3,066,871. Such revenues consisted of \$2,566,296 and \$2,433,591 in operating grants and contributions, \$245,146 and \$55,504 in capital grants and contributions, and \$512,560 and \$577,776 in charges for services.

General Revenues – General revenues for the year ended June 30, 2004 and June 30, 2003, respectively, consisted primarily of \$3,183,830 and \$4,831,380 in property taxes, \$11,343,852 and \$11,241,545 in state aid not restricted for specific purposes, and \$613,813 and \$687,090 in property tax relief trust distribution. Property taxes, reported for the year ended June 30, 2003, were larger because of the effects of the implementation of GASB Statement No. 33 in the initial year.

Total Revenues – Total revenues, consisting of program and general revenues, were \$18,898,270 and \$20,231,584 at June 30, 2004 and June 30, 2003, respectively.

Program Expenses – Total expenses, primarily by function, were \$18,482,827 and \$17,732,182 for the year ended June 30, 2004 and June 30, 2003, respectively.

The net (expense) revenue, which is a comparison of expenses to program revenues, reflected a deficiency of \$15,158,825 and \$14,665,311 for the year ended June 30, 2004 and June 30, 2003, respectively.

The change in net assets for the year ended June 30, 2004 and June 30, 2003, was an increase of \$101,136 and \$2,306,831, respectively.

The District's improved financial position was primarily due to an increase in state and federal assistance. Additionally, property taxes receivable (net) of \$2,282,466 and \$2,031,606 was reported at June 30, 2004 and June 30, 2003, respectively, in accordance with GASB Statement Number 33.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the District had invested \$19,691,142, net of accumulated depreciation, in a broad range of capital assets, including school buildings, athletic facilities, computer and audiovisual equipment, and administrative offices. Total depreciation expense for the year was \$997,513. As detailed in Note 6 of the accompanying financial statements, the District had construction commitments of \$164,287 at June 30, 2004.

Long-Term Debt

At year-end, the District had \$8,510,000 in general obligation bonds. The District executed an installment contract of \$811,435 at an interest rate of 3.5%, which was used to purchase laptop computers for the high school. At year-end, the District had an outstanding balance of \$610,951 installment contracts payable.

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 finances 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, 2004

Exhibit A

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,604,931
Investments	1,562,435
Property taxes receivable (net)	2,282,466
Accounts receivable	63,825
Total Current Assets	6,513,657
Noncurrent Assets:	
Capital assets (net of accumulated depreciation of \$7,174,793)	19,691,142
TOTAL ASSETS	26,204,799
LIABILITIES	
Current Liabilities:	
Accounts payable	69,418
Payroll withholdings	158,067
Long-term obligations:	
Due within one year:	
Bonds payable	520,000
Installment contracts	196,327
Total Current Liabilities	943,812
Noncurrent Liabilities:	
Long-term obligations:	
Due beyond one year:	
Bonds payable	7,990,000
Installment contracts	414,624
Total Noncurrent Liabilities	8,404,624
TOTAL LIABILITIES	9,348,436
NET ASSETS	
Invested in capital assets, net of related debt	10,570,191
Restricted for:	
Special programs	642,797
Unrestricted	5,643,375
TOTAL NET ASSETS	\$ 16,856,363

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, 2004

Exhibit B

<u>Functions/Programs</u>	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
Governmental Activities:					
Instruction:					
Regular instruction	\$ 7,944,756	\$ 216,415	\$ 280,075		\$ (7,448,266)
Special education instruction	1,432,192	1,834	344,134		(1,086,224)
Workforce education instruction	885,614		155,263	\$ 108,743	(621,608)
Compensatory education instruction	972,942		638,201		(334,741)
Other instruction	259,666		40,171	136,403	(83,092)
Total Instruction	11,495,170	218,249	1,457,844	245,146	(9,573,931)
Support Services:					
Student services	782,705	9,512	80,615		(692,578)
Instructional staff services	856,529	6,115	124,229		(726,185)
General administration services	474,747		58,739		(416,008)
School administration services	831,058				(831,058)
Business support services	278,312				(278,312)
Operation and maintenance of plant services	1,719,503	11,294	82,156		(1,626,053)
Student transportation services	565,780		28,873		(536,907)
Central services	423				(423)
Other support services	36,329				(36,329)
Total Support Services	5,545,386	26,921	374,612		(5,143,853)
Operation of Non-instructional Services:					
Food services operations	1,056,457	267,390	733,840		(55,227)
Community services	1,447				(1,447)
Total Operation of Non-instructional Services	1,057,904	267,390	733,840		(56,674)
Other Uses:					
Interest and fees on long-term debt	384,367				(384,367)
Total School District	\$ 18,482,827	\$ 512,560	\$ 2,566,296	\$ 245,146	(15,158,825)
General Revenues:					
Taxes:					
Property taxes, levied for general purposes					2,194,859
Property taxes, levied for debt service					970,609
Property taxes, levied for capital outlay					18,362
Property tax relief trust distribution					613,813
State aid not restricted for specific purposes					11,343,852
Investment income					51,635
Debt service supplemental funding					304,955
Other					76,183
Special items:					
Loss on disposition of capital assets					(19,870)
Adjustments to prior year capital assets					197,220
Write-off of equipment below capitalization level					(207,324)
Net bond issuance costs					(108,338)
Net payment to escrow agent for advance refunding of bonds					(175,995)
Total general revenues and special items					15,259,961
Change in net assets					101,136
Net Assets - beginning of year					16,755,227
Net Assets - ending of year					\$ 16,856,363

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, 2004

Exhibit C

	Major Governmental Funds			Total
	General Fund	Special Revenue Fund	Capital Projects Fund	Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 899,789	\$ 642,797	\$ 1,062,345	\$ 2,604,931
Investments	1,146,168		416,267	1,562,435
Property taxes receivable (net)	2,282,466			2,282,466
Accounts receivable	63,825			63,825
	<u>4,392,248</u>	<u>642,797</u>	<u>1,478,612</u>	<u>6,513,657</u>
TOTAL ASSETS	<u>\$ 4,392,248</u>	<u>\$ 642,797</u>	<u>\$ 1,478,612</u>	<u>\$ 6,513,657</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable			\$ 69,418	\$ 69,418
Payroll withholdings	\$ 158,067			158,067
Deferred revenues	2,030,311			2,030,311
Total Liabilities	<u>2,188,378</u>		<u>69,418</u>	<u>2,257,796</u>
Fund Equity:				
Fund Balances:				
Unreserved:				
Undesignated, reported in:				
General fund	2,203,870			2,203,870
Special revenue fund		\$ 642,797		642,797
Capital projects fund			1,409,194	1,409,194
Total Fund Balances	<u>2,203,870</u>	<u>642,797</u>	<u>1,409,194</u>	<u>4,255,861</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,392,248</u>	<u>\$ 642,797</u>	<u>\$ 1,478,612</u>	<u>\$ 6,513,657</u>

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, 2004

Exhibit D

Total Fund Balances - Governmental Funds		\$	4,255,861
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	\$ 26,865,935	
	The accumulated depreciation is	<u>(7,174,793)</u>	19,691,142
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.			2,030,311
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	8,510,000	
	Installment contracts	<u>610,951</u>	<u>(9,120,951)</u>
Total Net Assets - Governmental Activities			<u>\$ 16,856,363</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, 2004

	Major Governmental Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Debt Service Fund	
REVENUES				
Property taxes	\$ 2,857,456			\$ 3,047,994
State assistance	12,610,007	\$ 11,531		12,621,538
Federal assistance		2,452,523		2,452,523
Activity revenues	218,062			218,062
Meal sales		261,994		261,994
Interest on investments	43,700			49,044
Other revenues	79,787	22,856		111,278
	<u>15,809,012</u>	<u>2,748,904</u>		<u>18,762,433</u>
TOTAL REVENUES				
	<u>15,809,012</u>	<u>2,748,904</u>		<u>18,762,433</u>
EXPENDITURES				
Regular programs	7,127,256	256,573		7,413,602
Special education	1,123,689	306,351		1,430,040
Workforce education	693,645	170,509		864,154
Compensatory education	172,583	687,902		860,485
Other instructional programs	327,549	30,739		358,288
Student support services	691,786	88,091		779,877
Instructional staff support services	688,089	125,673		843,183
General administration support services	410,650	54,988		465,638
School administration support services	822,067			822,067
Business support services	274,367			274,367
Operation and maintenance of plant services	1,266,319			1,268,511
Student transportation services	401,024	27,289		428,313
Other support services	36,329			36,329
Food services operations	8,280	1,033,897		1,042,177
Community services	1,447			1,447
Activity expenditures	212,470			212,470
Capital outlay	1,150,640	103,902		1,678,395
Debt service:				
Principal retirement		81,410	\$ 466,691	119,074
Interest and fiscal charges			368,697	15,670
	<u>15,408,190</u>	<u>2,967,324</u>	<u>835,388</u>	<u>619,983</u>
TOTAL EXPENDITURES				
	<u>15,408,190</u>	<u>2,967,324</u>	<u>835,388</u>	<u>619,983</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>400,822</u>	<u>(218,420)</u>	<u>(835,388)</u>	<u>(415,466)</u>
	<u>400,822</u>	<u>(218,420)</u>	<u>(835,388)</u>	<u>(415,466)</u>

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, 2004

Exhibit E

	Major Governmental Funds			Total Governmental Funds
	General Fund	Special Revenue Fund	Debt Service Fund	
OTHER FINANCING SOURCES (USES)				
Transfers in			\$ 818,030	\$ 1,393,396
Transfers out	\$ (1,393,396)			(1,393,396)
Proceeds from sale of bonds			6,886,691	6,886,691
Value of installment contract	811,435			811,435
Payment to escrow agent			(6,760,995)	(6,760,995)
Net bond issuance costs			(108,338)	(108,338)
TOTAL OTHER FINANCING SOURCES (USES)	(581,961)		835,388	828,793
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(181,139)	\$ (218,420)		159,900
				(239,659)
FUND BALANCES - JULY 1	2,385,009	861,217		1,249,294
				4,495,520
FUND BALANCES - JUNE 30	\$ 2,203,870	\$ 642,797	\$ 0	\$ 1,409,194
				\$ 4,255,861

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, 2004

Exhibit F

Total Change in Fund Balances - Governmental Funds \$ (239,659)

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

Governmental funds report capital outlay costs 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 expense in the current period.

Capital outlay	\$ 1,678,395	
Depreciation	<u>(997,513)</u>	680,882

Bond proceeds and value of installment contracts 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. Payments to an escrow agent to advance refund bonds are reported as other financing uses in the governmental funds. However, the amount of the principal advance refunded decreases long-term liabilities and does not affect the statement of activities.

Debt issued:		
Bonds payable	(6,886,691)	
Installment contracts	(811,435)	
Repayments:		
Bonds payable	466,691	
Installment contracts	200,484	
Bonds advance refunded	<u>6,585,000</u>	
Net adjustment for debt related transactions		(445,951)

Adjustments to capital assets (write-off of book value 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.

(10,102)

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.

(19,870)

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. This is the amount by which the current year deferred revenues exceed the prior year deferred revenues.

Deferred revenues - current year	2,030,311	
Deferred revenues - prior year	<u>(1,894,475)</u>	<u>135,836</u>

Total Change in Net Assets - Governmental Activities \$ 101,136

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, 2004

Exhibit G

	Private-Purpose Trust	Agency Funds
ASSETS		
Cash		\$ 41,306
Investments	\$ 25,521	
	\$ 25,521	
LIABILITIES		
Due to student groups		\$ 41,306
		\$ 41,306
NET ASSETS		
Reserved for scholarships	\$ 25,521	
	\$ 25,521	

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
AS OF JUNE 30, 2004

Exhibit H

	<u>Private-Purpose Trust</u>
ADDITIONS	
Private donations	\$ 500
Interest	<u>465</u>
TOTAL ADDITIONS	965
DEDUCTIONS	
Scholarships awarded	<u>4,500</u>
Change in net assets	(3,535)
Net assets - beginning	<u>29,056</u>
Net assets - ending	<u>\$ 25,521</u>

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, 2004

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, as amended, *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 are 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.

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.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

C. **FUNDS (CONTINUED)**

Governmental Funds (Continued)

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 funds include 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 funds 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.

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.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS/BASIS OF ACCOUNTING (CONTINUED)

Fund Financial Statements (FFS) (Continued)

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.

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.

Other Financing Sources (Uses)

Transfers between funds that are not expected to be repaid are accounted for as other financing sources (uses). Other financing sources (uses) also include certain debt related transactions. Such transactions are recognized at the time the underlying events occur.

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's expenditure budget does not represent a formal appropriation. 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.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. BUDGETS (CONTINUED)

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

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 \$1,000 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:

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20-25
Buildings	20-50
Equipment	5-20

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.

2. CASH AND CASH EQUIVALENTS

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)	\$ 200,000	\$ 200,000
Uninsured, Collateralized	2,441,826	2,858,122
Total Deposits	\$ 2,641,826	\$ 3,058,122

The above total deposits do not include cash in the amount of \$3,696, which was held in the Cross County Treasury and cash on hand in the amount of \$715.

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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.

Type of Investment	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of deposit	\$ 1,587,956	\$ 0	\$ 0	\$ 1,587,956	\$ 1,587,956

4. RECEIVABLES

The receivables of \$2,346,291 at June 30, 2004, are as follows:

Class of Receivable	General Fund
Taxes:	
Local	\$ 2,282,466
Other	63,825
Total	<u>\$ 2,346,291</u>

5. CAPITAL ASSETS

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$ 935,923			\$ 935,923
Construction in progress		\$ 229,792		229,792
Total capital assets not being depreciated	935,923	229,792		1,165,715
<i>Capital assets being depreciated:</i>				
Buildings	19,657,137	83,556		19,740,693
Improvements/infrastructure	824,029	159,031		983,060
Equipment	4,264,235	1,334,914	\$ 622,682	4,976,467
Total capital assets being depreciated	24,745,401	1,577,501	622,682	25,700,220
Less accumulated depreciation for:				
Buildings	3,557,910	397,773		3,955,683
Improvements/infrastructure	306,850	44,101		350,951
Equipment	2,776,332	557,192	465,365	2,868,159
Total accumulated depreciation	6,641,092	999,066	465,365	7,174,793
Total capital assets being depreciated, net	18,104,309	578,435	157,317	18,525,427
Governmental activity capital assets, net	<u>\$ 19,040,232</u>	<u>\$ 808,227</u>	<u>\$ 157,317</u>	<u>\$ 19,691,142</u>

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

5. CAPITAL ASSETS (CONTINUED)

Depreciation was charged to functions as follows:

Regular instruction	\$	318,684
Special education instruction		2,151
Workforce education instruction		21,461
Compensatory education instruction		7,088
Other instructional programs		6,747
Student support services		2,828
Instructional staff support services		13,346
General administration support services		9,109
School administration support services		8,991
Business support services		3,945
Operation and maintenance of plant services		450,993
Student transportation services		137,467
Other support services		423
Food services operations		14,280
		14,280
 Total Allocated Depreciation	 \$	 997,513
		997,513

6. COMMITMENTS

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

Construction Contract

Project Name	Estimated Completion Date	Contract Balance
Field house	August 21, 2004	\$ 164,287

7. ACCOUNTS, SALARIES AND OTHER PAYABLES

The payables of \$227,485 at June 30, 2004, are as follows:

	General Fund	Capital Project Funds	Total
Accounts		\$ 69,418	\$ 69,418
Payroll withholdings	\$ 158,067		158,067
 Totals	\$ 158,067	\$ 69,418	\$ 227,485

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

8. LONG-TERM OBLIGATIONS

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
3/1/01	2/1/17	3.75 - 4.6%	\$ 2,296,361	\$ 1,975,000	\$ 321,361
11/1/03	6/1/17	2.75 - 3.75%	6,886,691	6,535,000	351,691
9/8/03	4/15/07	3.5%	811,435	610,951	200,484
Totals			<u>\$ 9,994,487</u>	<u>\$ 9,120,951</u>	<u>\$ 873,536</u>

The following is a summary of the long-term obligation transactions for the year ended June 30, 2004:

	Balance July 1, 2003	Additions	Reductions	Balance June 30, 2004
Bonds payable	\$ 8,675,000	\$ 6,886,691	\$ 7,051,691	\$ 8,510,000
Installment contracts		811,435	200,484	610,951
Totals	<u>\$ 8,675,000</u>	<u>\$ 7,698,126</u>	<u>\$ 7,252,175</u>	<u>* \$ 9,120,951</u>

* Includes advance refunding of bonds of \$6,585,000. See Note 9.

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, 2004:

	Current	Long-term	Total
Bonds payable	\$ 520,000	\$ 7,990,000	\$ 8,510,000
Installment contracts	196,327	414,624	610,951
Totals	<u>\$ 716,327</u>	<u>\$ 8,404,624</u>	<u>\$ 9,120,951</u>

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

Year Ended June 30,	Principal	Interest	Total
2005	\$ 716,327	\$ 317,743	\$ 1,034,070
2006	748,442	295,128	1,043,570
2007	776,182	271,666	1,047,848
2008	575,000	249,140	824,140
2009	605,000	231,766	836,766
2010-2014	3,345,000	910,349	4,255,349
2015-2017	2,355,000	188,923	2,543,923
Totals	<u>\$ 9,120,951</u>	<u>\$ 2,464,715</u>	<u>\$ 11,585,666</u>

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

9. ADVANCE REFUNDING OF DEBT

On November 1, 2003, the District issued \$6,886,691 in refunding bonds with interest rates of 2.75 to 3.75 percent to advance refund \$6,585,000 of outstanding bonds dated April 1, 1992, April 1, 1994, March 1, 1997 and December 1, 1996. The interest rates of the bonds advance refunded were 3.6 to 5.35 percent. Net bond proceeds of \$6,760,995 were remitted to escrow agents to provide for all future debt service payments for the bonds advance refunded and to pay related fees of \$5,246. The April 1, 1992 and April 1, 1994 bond issues were called on December 1, 2003 and the December 1, 1996 and March 1, 1997 issues were called on February 1, 2004.

The remaining bond proceeds of \$17,358 (after payment of \$108,338 net bond issuance costs) were applied to future debt payments on the new issue. The District issued refunding bonds to reduce its debt service payments by approximately \$620,625 over a period of fourteen (14) years.

10. INTERFUND TRANSFERS

The FFS reflect interfund transfers of \$818,030 from the general fund to the debt service fund for debt related payments. The FFS also include interfund transfers of \$575,366 from the general fund to the capital projects fund to supplement capital expenditures.

11. 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 \$1,151,098, \$1,000,192 and \$961,048, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$118,854, \$68,793 and \$66,253, 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, 2004, 2003 and 2002 were \$6,129, \$7,273 and \$8,836, respectively, equal to the required contributions for each year.

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 BUDGETARY COMPARISON SCHEDULE FOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 3,131,204	\$ 3,047,994	\$ (83,210)
State assistance	12,091,770	12,621,538	529,768
Federal assistance	2,120,019	2,452,523	332,504
Activity revenues		218,062	218,062
Meal sales	301,000	261,994	(39,006)
Interest on investments	58,000	49,044	(8,956)
Other revenues	27,945	111,278	83,333
TOTAL REVENUES	17,729,938	18,762,433	1,032,495
EXPENDITURES			
Regular programs	7,453,217	7,413,602	39,615
Special education	1,554,915	1,430,040	124,875
Workforce education	886,814	864,154	22,660
Compensatory education	798,852	860,485	(61,633)
Other instructional programs	350,290	358,288	(7,998)
Student support services	924,033	779,877	144,156
Instructional staff support services	1,014,930	843,183	171,747
General administration support services	539,449	465,638	73,811
School administration support services	849,782	822,067	27,715
Business support services	276,665	274,367	2,298
Operation and maintenance of plant services	1,385,146	1,268,511	116,635
Student transportation services	410,659	428,313	(17,654)
Other support services	964,564	36,329	928,235
Food services operations	45,000	1,042,177	(997,177)
Community services		1,447	(1,447)
Activity expenditures		212,470	(212,470)
Capital outlay	1,198,854	1,678,395	(479,541)
Debt service:			
Principal retirement	729,895	667,175	62,720
Interest and fiscal charges	482,483	384,367	98,116
TOTAL EXPENDITURES	19,865,548	19,830,885	34,663
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,135,610)	(1,068,452)	1,067,158
OTHER FINANCING SOURCES (USES)			
Transfers in	9,409,770	1,393,396	(8,016,374)
Transfers out	(9,409,770)	(1,393,396)	8,016,374
Proceeds from sale of bonds		6,886,691	6,886,691
Value of installment contract		811,435	811,435
Payment to escrow agent		(6,760,995)	(6,760,995)
Net bond issuance costs		(108,338)	(108,338)
TOTAL OTHER FINANCING SOURCES (USES)	0	828,793	828,793

WYNNE SCHOOL DISTRICT NO. 9
 CROSS COUNTY, ARKANSAS
 BUDGETARY COMPARISON SCHEDULE FOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (2,135,610)	\$ (239,659)	\$ 1,895,951
FUND BALANCES - JULY 1	<u>4,388,703</u>	<u>4,495,520</u>	<u>106,817</u>
FUND BALANCES - JUNE 30	<u>\$ 2,253,093</u>	<u>\$ 4,255,861</u>	<u>\$ 2,002,768</u>

WYNNE SCHOOL DISTRICT NO. 9
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	19-05-000	\$ 153,614
National School Lunch Program	10.555	19-05-000	506,685
Total State Department of Education			660,299
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	1903	62,010
TOTAL CHILD NUTRITION CLUSTER			722,309
 OTHER PROGRAMS			
<u>U. S. Department of Defense</u>			
ROTC (Note 3)	AR028239		30,739
 <u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	19-05	587,010
Special Education - Grants to States	84.027	1905	405,216
Vocational Education - Basic Grants to States	84.048	L19-05-000	53,429
Safe and Drug-Free Schools and Communities - State Grants	84.186	19-05	35,603
Tech-Prep Education	84.243	L19-05-000	155,263
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	GL-5P-35-02	63,311
Innovative Education Program Strategies	84.298	1905	23,208
Education Technology State Grants	84.318	1905	15,694
Reading First State Grants	84.357	1905	250,614
Rural Education	84.358	1905	90,803
Improving Teacher Quality State Grants	84.367	1905	195,167
Total U. S. Department of Education			1,875,318
TOTAL OTHER PROGRAMS			1,906,057
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,628,366

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, 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
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I Grants - Local Educational Agencies
84.027	Special Education - Grants to States

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

Auditee qualified as low-risk auditee? yes no

WYNNE SCHOOL DISTRICT NO. 9
CROSS COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2004

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION

2004-1. 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.

Context - Our review of internal control revealed deficiencies in segregation of duties.

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.

Views of responsible officials and planned corrective actions - 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, 2004

Schedule 4

There were no findings in the prior audit.