

Altus-Denning School District No. 31

Franklin County, Arkansas

**Regulatory Basis Financial Statements
And Other Reports**

June 30, 2004



ALTUS SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2004

Independent Auditor's Report
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*

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet - Regulatory Basis	A
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Regulatory Basis	B
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds - Regulatory Basis	C
Notes to Financial Statements	

SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Schedule of Capital Assets	1

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

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Altus-Denning School District No. 31 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Altus-Denning School District No. 31 (the "District"), as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of District management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 9, 2005 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The District was annexed into the Ozark School District effective July 1, 2004.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) is presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

DIVISION OF LEGISLATIVE AUDIT

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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
June 9, 2005
EDSD12304

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

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Altus-Denning School District No. 31 and School Board Members
Legislative Joint Auditing Committee

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Altus-Denning School District No. 31 (the "District"), as of and for the year ended June 30, 2004, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated June 9, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Department of Education, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2004, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the regulatory basis financial statements and not to provide 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 regulatory basis financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the finding below to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

AUDIT FINDINGS

Reportable Condition(s)

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

These reports are intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management and district management 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
June 9, 2005

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2004

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 479,284	\$ 59,749	\$ 92,237	\$ 2,633
Deposits with paying agent			67,910	
Accounts receivable	5,821			
Property taxes receivable	31,517			
 TOTAL ASSETS	\$ 516,622	\$ 59,749	\$ 160,147	\$ 2,633
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 188			
Due student groups				\$ 2,633
Total Liabilities	188			2,633
 Fund Balances:				
Reserved:				
Debt service			\$ 67,910	
Capital projects			92,237	
Undesignated	516,434	\$ 59,749		
Total Fund Balances	516,434	59,749	160,147	
 TOTAL LIABILITIES AND FUND BALANCES	\$ 516,622	\$ 59,749	\$ 160,147	\$ 2,633

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

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes	\$ 510,818		\$ 22,758
Property tax relief trust distribution	61,016		
State assistance	971,855	\$ 1,070	6,692
Federal assistance	15,187	276,659	
Activity revenues	27,675		
Meal sales		16,247	
Investment income	8,692		2,914
Other revenues	4,914	8,911	
TOTAL REVENUES	1,600,157	302,887	32,364
EXPENDITURES			
Regular programs	744,015	61,891	
Special education	82,067	36,849	
Workforce education	107,309		
Compensatory education		59,783	
Other instructional programs	39,163		
Student support services	81,411		
Instructional staff support services	49,288	20,789	
General administration support services	86,660		
School administration support services	108,481		
Business support services	29,587		
Operation and maintenance of plant services	159,139		90,901
Student transportation services	47,200		
Central support services	19,576		
Other support services	320		
Food services operations		97,399	
Non-programmed costs		6,419	
Activity expenditures	29,978		
Capital outlay	5,464	2,378	88,963
Debt service:			
Principal retirement	8,860		4,165
Interest and fiscal charges	1,193		50,798
TOTAL EXPENDITURES	1,599,711	285,508	234,827
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	446	17,379	(202,463)
OTHER FINANCING SOURCES (USES)			
Transfers in			82,177
Transfers out	(82,177)		
Proceeds from bond issue			1,240,000
Payments to bond escrow agents			(1,203,818)
Bond issuance costs			(34,656)
TOTAL OTHER FINANCING SOURCES (USES)	(82,177)		83,703
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(81,731)	17,379	(118,760)
FUND BALANCES - JULY 1	598,165	42,370	278,907
FUND BALANCES - JUNE 30	<u>\$ 516,434</u>	<u>\$ 59,749</u>	<u>\$ 160,147</u>

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

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2004

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes	\$ 510,000	\$ 510,818	\$ 818			
Property tax relief trust distribution	80,000	61,016	(18,984)			
State assistance	959,672	971,855	12,183	\$ 1,000	\$ 1,070	\$ 70
Federal assistance		15,187	15,187	170,987	276,659	105,672
Activity revenues		27,675	27,675			
Meal sales				19,000	16,247	(2,753)
Investment income	10,000	8,692	(1,308)			
Other revenues	1,000	4,914	3,914		8,911	8,911
TOTAL REVENUES	1,560,672	1,600,157	39,485	190,987	302,887	111,900
EXPENDITURES						
Regular programs	711,504	744,015	(32,511)	40,925	61,891	(20,966)
Special education	95,338	82,067	13,271	11,200	36,849	(25,649)
Workforce education	90,853	107,309	(16,456)	500		500
Compensatory education				83,006	59,783	23,223
Other instructional programs	42,491	39,163	3,328			
Student support services	72,864	81,411	(8,547)	100		100
Instructional staff support services	48,236	49,288	(1,052)	9,132	20,789	(11,657)
General administration support services	85,061	86,660	(1,599)			
School administration support services	102,890	108,481	(5,591)			
Business support services	28,056	29,587	(1,531)			
Operation and maintenance of plant services	141,762	159,139	(17,377)			
Student transportation services	46,978	47,200	(222)			
Central supplies services	18,362	19,576	(1,214)			
Other support services	800	320	480			
Food services operations				86,816	97,399	(10,583)
Non-programmed costs				6,419	6,419	
Activity expenditures		29,978	(29,978)			
Capital outlay	12,700	5,464	7,236	15,400	2,378	13,022
Debt service:						
Principal retirement	10,100	8,860	1,240			
Interest and fiscal charges		1,193	(1,193)			
TOTAL EXPENDITURES	1,507,995	1,599,711	(91,716)	253,498	285,508	(32,010)

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2004

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 52,677	\$ 446	\$ (52,231)	\$ (62,511)	\$ 17,379	\$ 79,890
OTHER FINANCING SOURCES (USES)						
Transfers out		(82,177)	(82,177)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	52,677	(81,731)	(134,408)	(62,511)	17,379	79,890
FUND BALANCES - JULY 1	600,276	598,165	(2,111)	42,370	42,370	
FUND BALANCES - JUNE 30	<u>\$ 652,953</u>	<u>\$ 516,434</u>	<u>\$ (136,519)</u>	<u>\$ (20,141)</u>	<u>\$ 59,749</u>	<u>\$ 79,890</u>

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

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

B. Description of Funds

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

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

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

Other governmental funds consist of the following:

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

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

Fiduciary Fund types include the following:

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

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an *Other Comprehensive Basis of Accounting* (OCBOA). This basis of accounting is prescribed by Ark. Code Ann. §10-4-412 (c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, specific procedures for the identification of major governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Property Taxes

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

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance Designations

1. Reserved fund balance - represents that portion of the fund balance which is not appropriable for expenditure or is legally segregated for a specific future use.
2. Undesignated fund balance - indicates that portion of the fund balance not reserved or designated.

H. Budget and Budgetary Accounting

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

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

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 200,000	\$ 200,000
Uninsured, Collateralized	433,903	506,282
Total Deposits	\$ 633,903	\$ 706,282

3: RECEIVABLES

The receivables of \$37,338 at June 30, 2004, are as follows:

Class of Receivable	General Fund
Taxes:	
Local	\$ 31,517
Accounts	5,821
Totals	\$ 37,338

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

4: COMMITMENTS

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

Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2004	Maturities To June 30, 2004
7/1/2003	7/1/2028	3.7 to 4.50%	\$ 1,240,000	\$ 1,240,000	
6/17/2003	6/17/2013	none	86,293	86,293	
10/10/2000	12/1/2004	6.46%	44,000	9,438	\$ 34,562
Totals			<u>\$ 1,370,293</u>	<u>\$ 1,335,731</u>	<u>\$ 34,562</u>

Changes in Long-term Debt

	Balance July 1, 2003	Issued	Retired	Balance June 30, 2004
Bonds payable	\$ 1,075,000	\$ 1,240,000	\$ 1,075,000 *	\$ 1,240,000
Certificates of indebtedness	4,165		4,165	
Postdated warrants	86,293			86,293
Capital leases	18,298		8,860	9,438
Totals	<u>\$ 1,183,756</u>	<u>\$ 1,240,000</u>	<u>\$ 1,088,025</u>	<u>\$ 1,335,731</u>

* Includes \$1,075,000 early retirement of debt - See Note 5.

The postdated warrants balance at June 30, 2004, represents debt issued under the Qualified Zone Academy Bonds program. This is a financing vehicle created by the Tax Relief Act of 1997. Interest is not paid by the borrower, and the principal is not due until the end of the term. The borrower makes deposits into a sinking fund account annually, and the sinking fund account will earn interest.

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

4: COMMITMENTS (Continued)

Changes in Long-term Debt (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2005	\$ 44,438	\$ 49,923	\$ 94,361
2006	35,000	48,012	83,012
2007	35,000	46,717	81,717
2008	35,000	45,422	80,422
2009	40,000	44,035	84,035
2010-2014	291,293	197,883	489,176
2015-2019	235,000	157,266	392,266
2020-2024	280,000	107,095	387,095
2025-2028	340,000	39,343	379,343
Totals	<u>\$ 1,335,731</u>	<u>\$ 735,696</u>	<u>\$ 2,071,427</u>

Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2004
School buses	<u>\$ 44,000</u>
	<u>June 30, 2004</u>
Total Minimum Lease Payments	\$ 10,053
Less: Amount Representing Interest	<u>615</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 9,438</u>

5: DEBT REFUNDINGS

On July 1, 2003, the District issued refunding bonds of \$1,240,000 with interest rates from 3.7 to 4.5 percent. Bond proceeds of \$1,203,818 were deposited with an escrow agent to advance refund \$1,075,000 of outstanding bonds dated July 1, 2002, with interest rates from 4.1 to 5.0 percent and to pay interest and fiscal charges of \$128,818. The July 1, 2002 bonds are callable on and after January 1, 2008. The balance of the escrow account with the refunding agent was \$1,155,029.59 at June 30, 2004.

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

6: 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 \$115,819, \$103,144 and \$101,199, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$6,657, \$5,700 and \$5,415, 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 \$1,799, \$1,639 and \$1,530, respectively, equal to the required contributions for each year.

7: SUBSEQUENT EVENTS

The District was annexed into the Ozark School District effective July 1, 2004.

ALTUS-DENNING SCHOOL DISTRICT NO. 31
FRANKLIN COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	Balance July 1, 2003	Additions	Deletions	Reclassi- fications	Balance June 30, 2004
Nondepreciable capital assets:					
Land	\$ 12,771				\$ 12,771
Construction in progress	819,060			\$ (819,060)	
Total nondepreciable capital assets	<u>831,831</u>			<u>(819,060)</u>	<u>12,771</u>
Depreciable capital assets:					
Buildings	1,204,503	\$ 45,725		819,060	2,069,288
Improvements/infrastructure	39,030	29,940	\$ 3,001		65,969
Equipment	414,438	21,140	100,244		335,334
Total depreciable capital assets	<u>1,657,971</u>	<u>96,805</u>	<u>103,245</u>	<u>819,060</u>	<u>2,470,591</u>
Less accumulated depreciation for:					
Buildings	507,200	38,503			545,703
Improvements/infrastructure	9,353	1,143	441		10,055
Equipment	262,264	38,691	82,836		218,119
Total accumulated depreciation	<u>778,817</u>	<u>78,337</u>	<u>83,277</u>		<u>773,877</u>
Total depreciable capital assets, net	<u>879,154</u>	<u>18,468</u>	<u>19,968</u>	<u>819,060</u>	<u>1,696,714</u>
Capital assets, net	<u>\$ 1,710,985</u>	<u>\$ 18,468</u>	<u>\$ 19,968</u>	<u>\$ 0</u>	<u>\$ 1,709,485</u>