

Bruno-Pyatt School District No. 1

Marion County, Arkansas

**General Purpose Financial Statements
and Other Reports
June 30, 2003**



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MARION COUNTY, ARKANSAS
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Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverly
Senate Co-Vice Chair
Rep. David Evans
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Bruno-Pyatt School District No. 1 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Bruno-Pyatt School District No. 1 (the "District"), as of and for the year ended June 30, 2003, as listed in the table of contents. These financial statements are the responsibility of district management. Our responsibility is to express an opinion 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 opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2003, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 16, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents, including the schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT

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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
June 16, 2004
EDSD23903

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

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Bruno-Pyatt School District No. 1 and School Board Members
Legislative Joint Auditing Committee

The underlying purpose of this letter is to convey certain observations and recommendations regarding state and federal compliance and internal control in conjunction with our audit of the Bruno-Pyatt School District No. 1. This letter reflects various requirements and pronouncements of the American Institute of Certified Public Accountants (AICPA), the United States General Accounting Office (GAO), the United States Office of Management and Budget (OMB), the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. Section I of this letter is designed to satisfy certain requirements for compliance and internal control over financial reporting, whereas, Section II is designed to satisfy certain requirements for compliance requirements applicable to each major federal award program and internal control over compliance in accordance with OMB Circular A-133.

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

We have audited the general purpose financial statements of the Bruno-Pyatt School District No. 1 (the "District"), as of and for the year ended June 30, 2003, and have issued our report thereon dated June 16, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

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

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the finding below to be a material weakness.

AUDIT FINDINGS

Reportable Condition(s)

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

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

Compliance

We have audited the compliance of the Bruno-Pyatt School District No. 1 (the "District") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Federal Award Programs - Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

Internal Control Over Compliance

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

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

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

DIVISION OF LEGISLATIVE AUDIT



William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
June 16, 2004

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS

Exhibit A

COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2003

	Governmental Fund Types			Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long- Term Debt
ASSETS							
Cash	\$ 549,068	\$ 73,115		\$ 75,793	\$ 26,929		\$ 724,905
Cash in hands of paying agent			\$ 49,542				49,542
Due from other funds	42,998						42,998
Land						\$ 34,137	34,137
Buildings						1,109,296	1,109,296
Equipment						605,899	605,899
Amount available in debt service funds							\$ 6,544
Amount to be provided for retirement of general long-term debt							559,322
TOTAL ASSETS	\$ 592,066	\$ 73,115	\$ 49,542	\$ 75,793	\$ 26,929	\$ 1,749,332	\$ 3,132,643
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 13,561						\$ 13,561
Due student groups					\$ 25,557		25,557
Due to other funds			\$ 42,998				42,998
Bonds payable						\$ 420,000	420,000
Certificates of indebtedness						85,500	85,500
Installment contracts						60,366	60,366
Total Liabilities	13,561		42,998		25,557	565,866	647,982
Fund Equity:							
Investment in general fixed assets						\$ 1,749,332	1,749,332
Fund balances:							
Unreserved:							
Designated:							
Trust fund					1,372		1,372
Undesignated	578,505	\$ 73,115	6,544	\$ 75,793			733,957
Total Fund Equity	578,505	73,115	6,544	75,793	1,372	1,749,332	2,484,661
TOTAL LIABILITIES AND FUND EQUITY	\$ 592,066	\$ 73,115	\$ 49,542	\$ 75,793	\$ 26,929	\$ 1,749,332	\$ 3,132,643

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

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

Exhibit B

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
REVENUES						
Property taxes	\$ 284,896					\$ 284,896
State assistance	1,413,438	\$ 1,085	\$ 16,083			1,430,606
Federal assistance	8,400	319,948				328,348
Activity revenues	35,144					35,144
Meal sales		31,402				31,402
Interest on investments	13,164			\$ 3,032		16,196
Other revenues	43,761	6,583			\$ 1,600	51,944
TOTAL REVENUES	1,798,803	359,018	16,083	3,032	1,600	2,178,536
EXPENDITURES						
Regular programs	660,697	80,270				740,967
Special education	113,789	4,413				118,202
Workforce education	109,786					109,786
Compensatory education		104,350				104,350
Other instructional programs	2,193	1,960				4,153
Support services	908,395	153,143				1,061,538
Non-programmed costs	80,000	26,908				106,908
Activity expenditures	32,778					32,778
Capital outlay				95,031		95,031
Debt service:						
Principal retirement	50,535		35,000			85,535
Interest and fiscal charges	7,781		19,782			27,563
Scholarships awarded					1,800	1,800
TOTAL EXPENDITURES	1,965,954	371,044	54,782	95,031	1,800	2,488,611
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(167,151)	(12,026)	(38,699)	(91,999)	(200)	(310,075)

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS
FOR THE YEAR ENDED JUNE 30, 2003

Exhibit B

	Governmental Fund Types				Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Capital Projects	Expendable Trust	
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 5,900	\$ 11,662				\$ 17,562
Transfers out	(16,536)	(1,026)				(17,562)
Proceeds of bank loan	46,501					46,501
TOTAL OTHER FINANCING SOURCES (USES)	35,865	10,636				46,501
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(131,286)	(1,390)	\$ (38,699)	\$ (91,999)	\$ (200)	(263,574)
FUND BALANCES - JULY 1	709,791	74,505	45,243	167,792	1,572	998,903
FUND BALANCES - JUNE 30	<u>\$ 578,505</u>	<u>\$ 73,115</u>	<u>\$ 6,544</u>	<u>\$ 75,793</u>	<u>\$ 1,372</u>	<u>\$ 735,329</u>

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

BRUNO-PYATT SCHOOL DISTRICT NO. 1

Exhibit C

MARION COUNTY, ARKANSAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2003

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Property taxes	\$ 418,550	\$ 284,896	\$ (133,654)				\$ 418,550	\$ 284,896	\$ (133,654)
State assistance	1,318,116	1,413,438	95,322		\$ 1,085	\$ 1,085	1,318,116	1,414,523	96,407
Federal assistance		8,400	8,400	\$ 212,187	319,948	107,761	212,187	328,348	116,161
Activity revenues		35,144	35,144					35,144	35,144
Meal sales				18,672	31,402	12,730	18,672	31,402	12,730
Interest on investments	12,000	13,164	1,164	200		(200)	12,200	13,164	964
Other revenues		43,761	43,761		6,583	6,583		50,344	50,344
TOTAL REVENUES	1,748,666	1,798,803	50,137	231,059	359,018	127,959	1,979,725	2,157,821	178,096
EXPENDITURES									
Regular programs	625,030	660,697	(35,667)	32,084	80,270	(48,186)	657,114	740,967	(83,853)
Special education	112,092	113,789	(1,697)	7,850	4,413	3,437	119,942	118,202	1,740
Workforce education	180,289	109,786	70,503				180,289	109,786	70,503
Compensatory education				75,294	104,350	(29,056)	75,294	104,350	(29,056)
Other instructional programs	3,500	2,193	1,307		1,960	(1,960)	3,500	4,153	(653)
Support services	715,140	908,395	(193,255)	84,240	153,143	(68,903)	799,380	1,061,538	(262,158)
Non-programmed costs	75,500	80,000	(4,500)	25,000	26,908	(1,908)	100,500	106,908	(6,408)
Activity expenditures		32,778	(32,778)					32,778	(32,778)
Principal retirement	37,438	50,535	(13,097)				37,438	50,535	(13,097)
Interest and fiscal charges	1,651	7,781	(6,130)				1,651	7,781	(6,130)
TOTAL EXPENDITURES	1,750,640	1,965,954	(215,314)	224,468	371,044	(146,576)	1,975,108	2,336,998	(361,890)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,974)	(167,151)	(165,177)	6,591	(12,026)	(18,617)	4,617	(179,177)	(183,794)
OTHER FINANCING SOURCES (USES)									
Transfers in		5,900	5,900		11,662	11,662		17,562	17,562
Transfers out		(16,536)	(16,536)		(1,026)	(1,026)		(17,562)	(17,562)
Proceeds of bank loan		46,501	46,501					46,501	46,501
TOTAL OTHER FINANCING SOURCES (USES)		35,865	35,865		10,636	10,636		46,501	46,501
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,974)	(131,286)	(129,312)	6,591	(1,390)	(7,981)	4,617	(132,676)	(137,293)
FUND BALANCES - JULY 1	712,777	709,791	(2,986)	69,980	74,505	4,525	782,757	784,296	1,539
FUND BALANCES - JUNE 30	\$ 710,803	\$ 578,505	\$ (132,298)	\$ 76,571	\$ 73,115	\$ (3,456)	\$ 787,374	\$ 651,620	\$ (135,754)

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

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Education, a five (5) member group, is the level of government which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Bruno-Pyatt School District (District). The District's financial statements reflect all funds and accounts directly under the control of the District. There are no component units.

B. Basis of Presentation - Fund Accounting

The accounts are maintained in accordance with the principles of fund accounting. 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. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The following types of funds and account groups are recognized in the accompanying financial statements.

Governmental Funds

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

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

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

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the entity in a trustee capacity or as an agent for individuals, other governmental units, and other funds. These include Expendable Trust Funds and Agency Funds.

Account Groups

General Fixed Assets - to account for all fixed assets of the entity.

General Long-term Debt - to account for all long-term debt of the entity.

C. Basis of Accounting

All governmental funds, expendable trust funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized when the related fund liability is incurred. Exceptions include: (1) unmatured principal and interest on general long-term debt which is recognized when due; and (2) prepaid expenses, which are not recorded.

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. General Fixed Assets

General fixed assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Such assets are reported at cost or estimated historical cost, if actual data is not available, in the general fixed assets account group. Donated fixed assets are reported at fair market value when received in the general fixed assets account group. Library holdings and textbooks are not capitalized. In accordance with generally accepted accounting principles applicable to governmental entities, no provision for depreciation is reported.

E. 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.

F. Inventories

Inventories are considered expenditures when purchased.

G. Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

H. Liability for Compensated Absences

The accompanying financial statements do not include a liability for compensated absences as the amount is not material.

I. Fund Equity

Fund Balance -

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

J. 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 State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of school districts employ the cash basis method.

K. Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods or services. The District does not record encumbrances in its accounting system and none are reported in the accompanying financial statements.

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

L. Cash Equivalents

For purposes of the statement of cash flows for nonexpendable trust funds, all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased are considered to be cash equivalents.

NOTE 2: Budget Versus Actual

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Fund Types (Exhibit C) includes revenues and expenditures of the activity funds, which are not budgeted by the District.

NOTE 3: Public Fund Deposits

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured, Collateralized	624,905	678,006
Total Deposits	\$ 724,905	\$ 778,006

NOTE 4: Changes in General Fixed Assets

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land	\$ 14,649	\$ 19,488		\$ 34,137
Buildings	1,109,237	59		1,109,296
Improvements other than buildings	19,487		\$ 19,487	
Equipment	808,076		202,177	605,899
Totals	\$ 1,951,449	\$ 19,547	\$ 221,664	\$ 1,749,332

The deletions shown above were posted to adjust the prior audit amounts to the amounts reflected in the District's fixed asset records determined through a physical inventory conducted by the District.

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 5: 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, 2003	Maturities To June 30, 2003
04/01/96	07/01/11	3.625-4.625%	\$ 604,800	\$ 420,000	\$ 189,800
02/20/02	11/01/12	4.95%	95,000	85,500	9,500
04/04/02	10/01/06	4.9%	54,900	43,872	11,028
07/18/02	06/15/05	4.95%	46,501	16,494	30,007
Totals			<u>\$ 801,201</u>	<u>\$ 565,866</u>	<u>\$ 235,335</u>

NOTE 6: Changes in Long-term Debt

	Balance July 1, 2002	Issued	Retired	Balance June 30, 2003
Bonds payable	\$ 455,000		\$ 35,000	\$ 420,000
Certificates of indebtedness	95,000		9,500	85,500
Installment contracts	54,900	\$ 46,501	41,035	60,366
Totals	<u>\$ 604,900</u>	<u>\$ 46,501</u>	<u>\$ 85,535</u>	<u>\$ 565,866</u>

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

Year Ended June 30,	Principal	Interest	Total
2004	\$ 76,191	\$ 24,935	\$ 101,126
2005	60,197	21,479	81,676
2006	60,721	18,784	79,505
2007	66,257	15,848	82,105
2008	54,500	12,779	67,279
To Maturity	<u>248,000</u>	<u>23,657</u>	<u>271,657</u>
Totals	<u>\$ 565,866</u>	<u>\$ 117,482</u>	<u>\$ 683,348</u>

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2003

NOTE 7: Retirement Plans

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2003, 2002 and 2001 were \$120,308, \$111,836 and \$124,519, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2003, 2002 and 2001 were \$11,986, \$6,816 and \$2,582, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2003, 2002 and 2001 were \$930, \$971 and \$929, respectively, equal to the required contributions for each year.

NOTE 8: Recent Legislation

Act 60 of the 2nd Extraordinary Session of the 84th General Assembly of the State of Arkansas, which became effective January 29, 2004, provides for the consolidation of school districts with fewer than three hundred fifty (350) students. The Bruno-Pyatt School District elected to consolidate with the St. Joe and Western Grove School Districts to form the new Ozark Mountain School District.

NOTE 9: Subsequent Events

Refunding and construction bonds dated October 1, 2003 were issued by the Bruno-Pyatt School District in the amount of \$690,750. Principal is payable on December 1 and interest is payable on June 1 and December 1 of each year. These bonds refunded 1996 Series Bonds dated April 1, 1996, a revolving loan with the Department of Education dated February 20, 2002 and an installment contract with the Bank of Yellville dated April 4, 2002.

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 1

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	45-03	\$ 19,748
National School Lunch Program	10.555	45-03	49,227
Total State Department of Education			68,975
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	45-03	6,997
TOTAL CHILD NUTRITION CLUSTER			75,972
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	45-03	124,920
Special Education - Grants to States	84.027	45-03	36,603
Safe and Drug-Free Schools and Communities - State Grants	84.186	45-03	1,960
Innovative Education Program Strategies	84.298	45-03	4,682
Title II D Education Technology	84.318	45-03	2,991
Title II A Improving Teacher Quality	84.336	45-03	29,368
Individuals with Disabilities Education Act Resource Grant	84.352A	45-03	33,817
Title IV Rural Education Achievement Program	84.358	45-03	11,420
TOTAL OTHER PROGRAMS			245,761
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 321,733

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 Bruno-Pyatt School District No. 1 and is presented on the modified 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.

BRUNO-PYATT SCHOOL DISTRICT NO. 1
 MARION COUNTY, ARKANSAS
 FEDERAL AWARD PROGRAMS -
 FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2003

Schedule 2

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, 10.555	Child Nutrition Cluster
84.01	Title 1 Grants - Local Educational Agencies

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

Auditee qualified as low-risk auditee? yes no

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 2

SECTION II - FINANCIAL STATEMENT FINDINGS

2003-1. Segregation of Duties

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

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

Effect - The District had inadequate control over cash transactions.

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

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

Response - We concur with the recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings and questioned costs noted.

BRUNO-PYATT SCHOOL DISTRICT NO. 1
MARION COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 3

There were no findings in the prior audit.