

Fourche Valley School District No. 13

Yell County, Arkansas

**Basic Financial Statements
and Other Reports
June 30, 2004**



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YELL 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 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

INDEPENDENT AUDITOR'S REPORT

Fourche Valley School District No. 13 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 Fourche Valley School District No. 13 (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.

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

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

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
EDSD41404

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*

Fourche Valley School District No. 13 and School Board Members
Legislative Joint Auditing Committee

We have audited the financial statements of the governmental activities, each major fund, and the aggregated remaining fund information of Fourche Valley School District No. 13 (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 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 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 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 the finding below 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, laws and regulations, 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 FINDING

Reportable Condition

To ensure the proper safeguarding of assets, financial accounting duties should be distributed among appropriate employees. The District, because of limited 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, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
May 2, 2005

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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

Fourche Valley School District No. 13 and School Board Members
Legislative Joint Auditing Committee

As a management service, we would like to bring to your attention the following other item that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations and achieve adequate internal controls. This matter was discussed previously with district officials during the course of our audit fieldwork and at the exit conference.

On August 8, 2003, the District issued a check in the amount of \$12,500 to Fourche Valley School Gym Foundation to transfer funds received from First State Bank for advertising rights. Fourche Valley School Gym Foundation subsequently paid in excess of \$12,500 for improvements to the Fourche Valley School campus.

To ensure proper internal controls, we recommend District funds not be transferred to other organizations but be disbursed directly to vendors only after goods and services have been received.

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

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-term 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 relationships 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 new 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. New 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 decreased 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 Districts' activities are classified as follows:

- Governmental activities: The Districts 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 a particular program.

- Some funds are required by State law and 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 new format specified in the Governmental Accounting Standards Board (GASB) Statement number 34. The GASB Statement Number 34 does not require comparative information from the previous fiscal year in the year of implementation. Accordingly, the District has not provided comparative data from the fiscal year ended June 30, 2003. A comparative analysis of the district-wide data will be presented in future periods.

Assets - The total current assets of the former Fourche Valley School District at June 30, 2004 were \$192,707. Capital assets, net of accumulated depreciation of \$724,422, were \$2,033,574. The total assets were \$2,226,281.

Liabilities - The total liabilities of the former Fourche Valley School District at June 30, 2004 were \$853,767. The liabilities consisted of current liabilities of \$182,225 and long-term liabilities of \$671,542.

Net Assets - The net assets consisted of the following at June 30, 2004:

Invested in capital assets, net of related debt -	\$1,285,902
Restricted -	84,823
Unrestricted -	<u>1,789</u>
Net Assets totaled -	<u>\$1,372,514</u>

Program Revenues - Program revenues for the year ended June 30, 2004 were \$393,972. Such revenues consisted of \$303,066 operating grants and contributions, \$90,906 charges for services.

General Revenues - General revenues for the year ended June 30, 2004 consisted primarily of \$152,318 property taxes, \$1,092,653 state aid not restricted for specific purposes.

Total Revenues - Total revenues, consisting of program and general revenues, were \$1,620,832.

Program Expenses - Total expenses, primarily by function, were \$1,824,015 for the year ended June 30, 2004.

The net (expense) revenue, which is a comparison of expenses to program revenues, reflected a deficiency of \$1,430,043 for the year ended June 30, 2004.

Special items primarily consisted of transactions pertaining to capital assets and general long-term debt.

The change in net assets for the year ended June 30, 2004 was a decrease of \$203,183.

Property taxes receivable (net) of \$ 108,567 was reported at June 30, 2004 in accordance with GASB Statement Number 33.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2004, the District has invested \$2,033,574 in a broad range of capital assets, including school buildings, athletic facilities, computer and audiovisual equipment, and administrative offices net of accumulated depreciation of \$724,422. Total depreciation expense for the year was \$53,250.

Long Term Debt

At year-end, the District had \$747,672 in general obligation bonds and capital leases, post-dated warrants and certificates of indebtedness.

FACTORS BEARING ON THE DISTRICT'S FUTURE

The Fourche Valley School District consolidated with the Ola, Perry-Casa, and Plainview-Rover School Districts as of July 1, 2004. As a result of this consolidation, we have received incentive funding in the amount of \$1,486,757. We will also be receiving \$367,679 in Isolated Funding, \$333,600 in National School Lunch Funds, \$54,987 in Professional Development, and \$302,751 in ABC Pre-School, as well as an increase in our other federal and state funding. We will also benefit from the new funding formula. Planning to increase shared services in the future to provide for student needs will reduce the cost per student.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 STATEMENT OF NET ASSETS
 AS OF JUNE 30, 2004

Exhibit A

	Governmental Activities
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 72,559
Property taxes receivable (net)	108,567
Prepaid expenses	11,581
Total current assets	192,707
Noncurrent assets:	
Capital assets (net of accumulated depreciation of \$724,422)	2,033,574
Total assets	2,226,281
LIABILITIES	
Current liabilities:	
Accounts payable	21,095
Short-term loan payable	85,000
Long-term obligations :	
Due within one year:	
Bonds payable, certificates of indebtedness, postdated warrants and capital leases	76,130
Total current liabilities	182,225
Noncurrent liabilities:	
Due beyond one year:	
Bonds payable, certificates of indebtedness, postdated warrants and capital leases	671,542
Total liabilities	853,767
NET ASSETS	
Invested in capital assets, net of related debt	1,285,902
Restricted for:	
Special programs	37,167
Capital projects	47,656
Unrestricted	1,789
Total net assets	\$ 1,372,514

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

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

<u>Functions/Programs</u>	Expenses	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets Total
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Regular instruction	\$ 654,092	\$ 75,467	\$ 8,025	\$ (570,600)
Special education instruction	75,066			(75,066)
Workforce education instruction	100,306		62,541	(37,765)
Other instruction	69,045		37,211	(31,834)
Total instruction	898,509	75,467	107,777	(715,265)
Support services:				
Student services	87,332		130,114	42,782
Instructional staff services	71,828			(71,828)
General administration services	109,306			(109,306)
School administration services	81,707			(81,707)
Business support services	52,207			(52,207)
Operation and maintenance of plant services	167,290			(167,290)
Student transportation services	132,620			(132,620)
Central services	38,331			(38,331)
Other support services	372			(372)
Total support services	740,993		130,114	(610,879)
Operation of non-instructional services:				
Food services operations	114,169	15,439	61,387	(37,343)
Other non-instructional services	44,230		3,788	(40,442)
Total non-instructional services	158,399	15,439	65,175	(77,785)
Other uses:				
Interest on long-term debt	26,114			(26,114)
Total school district	\$ 1,824,015	\$ 90,906	\$ 303,066	(1,430,043)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				149,733
Property taxes, levied for capital outlay				2,585
State and Federal aid not restricted to specific purposes				1,092,653
Interest and investment earnings				2,783
Miscellaneous				750
Adjustment to prior year fixed assets				(5,268)
Special item:				
Bond issuance cost				(11,726)
Interest on early retirement of debt				(4,650)
Total general revenues and special items				1,226,860
Change in net assets				(203,183)
Net Assets - beginning of year				2,880,015
Prior year general long term debt				(730,672)
Cumulative effects of accounting change				(573,646)
Net assets - beginning of year restated				1,575,697
Net Assets - ending of year				\$ 1,372,514

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

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2004

Exhibit C

	(Major) Governmental Fund Types			Totals
	General	Special Revenue Fund	Capital Project Funds	Governmental Funds
ASSETS				
Cash and cash equivalents		\$ 24,903	\$ 47,656	\$ 72,559
Property taxes receivable, net	\$ 107,438		1,129	108,567
Interfund receivable		12,264		12,264
TOTAL ASSETS	\$ 107,438	\$ 37,167	\$ 48,785	\$ 193,390
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payables	\$ 21,095			\$ 21,095
Interfund payables	12,264			12,264
Deferred revenue	101,709		\$ 1,129	102,838
Short-term loan payable	85,000			85,000
Total Liabilities	220,068		1,129	221,197
Fund Equity:				
Fund balances:				
Reserved:				
Unreserved:				
Unreserved, reported in:	(112,630)			(112,630)
Special revenue fund		\$ 37,167		37,167
Capital project funds			47,656	47,656
Total fund balances	(112,630)	37,167	47,656	(27,807)
TOTAL LIABILITIES AND FUND BALANCES	\$ 107,438	\$ 37,167	\$ 48,785	\$ 193,390

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

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2004

Exhibit D

Total fund balances for governmental funds:			\$	(27,807)
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	\$ 2,757,996		
	The accumulated depreciation is	<u>(724,422)</u>		2,033,574
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.				102,838
Prepaid expenses are reported in the statement of activities. They are not considered as an incurred expense in the governmental funds.				11,581
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	166,000		
	Certificates of indebtedness	400,000		
	Capital leases payable	11,655		
	Postdated warrants	<u>170,017</u>		<u>(747,672)</u>
Total net assets - governmental activities			\$	<u>1,372,514</u>

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

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY, ARKANSAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

Exhibit E

	Major Governmental Fund Types			Totals Governmental Funds
	General	Special Revenue Fund	Debt Service Fund	
REVENUES				
Property taxes	\$ 143,476			\$ 144,933
State assistance	808,317	\$ 672		808,989
Federal assistance	261,589	195,027		456,616
Activity revenues	60,264			60,264
Meal sales		15,418		15,418
Interest on investments	2,263			2,784
Other revenues	142,074	21		148,160
	<u>1,417,983</u>	<u>211,138</u>		<u>1,637,164</u>
TOTAL REVENUES				
	<u>1,417,983</u>	<u>211,138</u>		<u>1,637,164</u>
EXPENDITURES				
Current:				
Regular programs	561,421	16,248		577,669
Special education	55,269	19,433		74,702
Workforce education	97,840			97,840
Compensatory education	1,605	34,143		35,748
Other instructional programs	33,298			33,298
Support services- students	75,060	11,532		86,592
Instructional staff support services	55,262	16,565		71,827
General administrative support services	108,832	225		109,057
School administration support services	80,958			80,958
Business support services	52,082			52,082
Operation and maintenance of plant services	170,456	290		170,746
Student transportation services	126,934			126,934
Other support services	29,623	8,021		37,644
Non-instructional - food services operations		110,532		110,532
Payments to other lea's		13,723		13,723
Non-programmed costs	12,500			12,500
Activity expenditures	64,380			64,380
Capital outlay	44,002			304,026
			260,024	
Debt service:				
Principal retirement	55,253		\$ 15,000	70,253
Interest and fiscal charges	22,195		3,919	26,114
	<u>1,646,970</u>	<u>230,712</u>	<u>18,919</u>	<u>2,156,625</u>
TOTAL EXPENDITURES				
	<u>1,646,970</u>	<u>230,712</u>	<u>18,919</u>	<u>2,156,625</u>

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY, ARKANSAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2004

Exhibit E

	Major Governmental Fund Types			Totals Governmental Funds	
	General	Special Revenue Fund	Debt Service Fund		Capital Projects Fund
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (228,987)	\$ (19,574)	\$ (18,919)	\$ (251,981)	\$ (519,461)
OTHER FINANCING SOURCES (USES)					
Transfers in		38,870	18,919	189,623	247,412
Transfers out	(247,412)				(247,412)
Proceeds from sale of bonds	181,000				181,000
Net bond issuance cost	(11,726)				(11,726)
Interest on early retirement of debt	(4,650)				(4,650)
Early retirement of debt	(165,000)				(165,000)
Proceeds from postdated warrants	71,253				71,253
TOTAL OTHER FINANCING SOURCES (USES)	(176,535)	38,870	18,919	189,623	70,877
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(405,522)	19,296		(62,358)	(448,584)
FUND BALANCES - JULY 1	292,892	17,871		110,014	420,777
FUND BALANCES - JUNE 30	\$ (112,630)	\$ 37,167	\$ 0	\$ 47,656	\$ (27,807)

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

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY ARKANSAS

Exhibit F

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Net change in fund balances -- total governmental funds \$ (448,584)

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

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

Depreciation	\$	53,250	
Capital outlay		304,026	250,776

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

Debt issued:			
Bonds issued		(181,000)	
Post dated warrants		(71,253)	
Repayments:			
Bonds issued		180,000	
Certificates of indebtedness issued		50,000	
Capital leases		5,253	
Net adjustment for debt related transactions			(17,000)

Prepaid expenses are reported in the statement of activities. They are not considered as an incurred expense in the governmental funds. 11,581

Adjustment to prior year fixed assets (5,268)

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.

2004		102,838	
2003		(97,526)	5,312

Change in net assets of governmental activities: \$ (203,183)

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

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY, ARKANSAS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2004

Exhibit G

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 10,330</u>
LIABILITIES	
Due to student groups	<u>\$ 10,330</u>

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

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL 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 funds - account for all non-restricted funds of the District and is the primary operating fund of the District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

C. **FUNDS (Continued)**

Governmental Funds (Continued)

Special revenue funds - account 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 funds - account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

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

Fiduciary Funds

Fiduciary funds include Agency Funds. The agency fund accounts for assets held by the District as an agent for schools, and school organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. Consequently, the agency fund has no measurement focus, but does use the modified accrual basis of accounting. 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. Depreciation on buildings is assigned to the "general administration" function due to the fact that school buildings serve multiple purposes. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities (Exhibit B).

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL 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)

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 fund financial statements therefore include reconciliation with brief explanations to better identify the relationship between the GWFS and the statements FFS.

FFS report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column.

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

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 (or any other types, such as capital lease transactions, sale of fixed assets, debt extinguishments, long-term debt proceeds, et cetera) are accounted for as other financing sources (uses). Other financing sources (uses) also include certain debt related transactions and a refund to grantor. Such transactions are recognized at the time the underlying events occur.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL 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)

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. Deferred revenues arise when resources are received by the District before it has a legal claim to them, as when grant monies are received before the incurrence of qualifying expenditures. In subsequent periods, when the District has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and the revenue is recognized.

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.

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. CASH AND CASH EQUIVALENTS

Cash includes amounts in demand deposits, interest-bearing demand deposits, and time deposits. Cash equivalents include amounts in time deposits and those investments with original maturities of 90 days or less. Under state law, the District may deposit funds in demand deposits, interest-bearing demand deposits, or time deposits with state banks organized under Arkansas law, or under the laws of the United States.

G. PREPAID ITEMS

The District reports prepaid insurance. This represents the unexpired portion of buildings and vehicle insurance at the end of the year.

H. 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.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. CAPITAL ASSETS (Continued)

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	50
Buildings	50
Building improvements	7
Equipment	5-20

I. 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; and
2. Imposed by law through constitutional provisions or enabling legislation.

J. FUND EQUITY

In the FFS, governmental funds report reservations of fund balance for amounts that are not available for general used. Funds reserved for the retirement of long-term debt are reported in the FFS.

K. EXTRAORDINARY AND SPECIAL ITEMS

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

L. ACCOUNTING CHANGES

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

2. DEFICIT FUND EQUITY

The following individual funds have deficits in unreserved fund balance (net assets) at June 30, 2004:

<u>Fund</u>	<u>Deficit Amount</u>
Operating	<u>\$ (112,630)</u>

The District merged with Ola, Perry-Casa and Plainview School Districts for the fiscal year beginning July 1, 2004.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

3. 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)	\$ 82,689	\$ 100,000
Uninsured, Collateralized		125,178
Total Deposits	\$ 82,689	\$ 225,178

The above total deposits does not include cash on hand in the amount of \$200.

4. RECEIVABLES

The receivables of \$108,567 at June 30, 2004, are as follows:

<u>Class of Receivable</u>	General Fund	Capital Projects Funds	Total
Taxes:			
Local	\$ 107,438	\$ 1,129	\$ 108,567

5. INTERFUND RECEIVABLES/PAYABLES

Fund	Interfund Receivables	Interfund Payables
Special revenue	\$ 12,264	
General		\$ 12,264

The above interfund receivable/payable consists of a loan from the Special Revenue Fund to the General Fund to cover the General Fund's deficit cash balance.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

6. CAPITAL ASSETS

	Balance July 1, 2003	Additions	Deletions	Reclassi- fications	Balance June 30, 2004
<i>Capital assets not being depreciated:</i>					
Land	\$ 6,495				\$ 6,495
Construction in progress	1,140,633	\$ 175,829		\$ (1,316,462)	
Total not depreciated	<u>1,147,128</u>	<u>175,829</u>		<u>(1,316,462)</u>	<u>6,495</u>
<i>Capital assets being depreciated:</i>					
Buildings	820,908			1,316,462	2,137,370
Site improvements/infrastructure	117,112	11,553			128,665
Machinery and equipment	374,090	116,644	\$ 5,268		485,466
Total depreciated	<u>1,312,110</u>	<u>128,197</u>	<u>5,268</u>	<u>1,316,462</u>	<u>2,751,501</u>
<i>Less accumulated depreciation for:</i>					
Buildings	386,587	19,978			406,565
Site improvements/infrastructure	22,224	4,086			26,310
Machinery and equipment	262,361	29,186			291,547
Total accumulated depreciation	<u>671,172</u>	<u>53,250</u>			<u>724,422</u>
Total capital assets depreciated, net	<u>640,938</u>	<u>74,947</u>	<u>5,268</u>		<u>2,027,079</u>
Governmental activity capital assets, net	<u>\$ 1,788,066</u>	<u>\$ 250,776</u>	<u>\$ 5,268</u>	<u>\$ 0</u>	<u>\$ 2,033,574</u>

Depreciation was charged to functions as follows:

Regular instruction	\$ 12,043
Special education	363
Workforce education	2,467
Support services - students	740
General administrative support	249
School administration support	748
Business support	125
Operation and maintenance of plant	1,514
Student transportation	5,686
Other support	1,060
Non-instructional - food services	3,636
Buildings	19,978
Site improvements	4,086
Other equipment	555
	<u>53,250</u>
Total allocated depreciation	<u>\$ 53,250</u>

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

7. ACCOUNTS, SALARIES AND OTHER PAYABLES

The payables of \$21,095 at June 30, 2004, are as follows:

	General Fund
Accounts	\$ 21,095

8. SHORT-TERM DEBT

On June 21, 2004, the District issued a short-term promissory note in the amount of \$85,000 to Chambers Bank with a maturity date of October 21, 2004 and an interest rate of 5.50%. The proceeds were used to finance the operations of the District.

9. LEASES

The District records items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

The following is a schedule of future minimum lease payments under capital leases, together with the present value of the net minimum lease payments, as of June 30, 2004:

Type	Recorded Amount												
Other Purchase of energy conservation measures	\$ 26,388												
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid black;">Fiscal Year Ending June 30,</th> <th style="text-align: right; border-bottom: 1px solid black;"></th> </tr> </thead> <tbody> <tr> <td style="padding-left: 40px;">2005</td> <td style="text-align: right;">\$ 6,346</td> </tr> <tr> <td style="padding-left: 40px;">2006</td> <td style="text-align: right; border-bottom: 1px solid black;">6,346</td> </tr> <tr> <td>Total Minimum Lease Payments</td> <td style="text-align: right;">12,692</td> </tr> <tr> <td style="padding-top: 10px;">Less: Amount Representing Interest</td> <td style="text-align: right; border-bottom: 1px solid black;">1,037</td> </tr> <tr> <td>Total Present Value of Net Minimum Lease Payments</td> <td style="text-align: right; border-bottom: 3px double black;">\$ 11,655</td> </tr> </tbody> </table>		Fiscal Year Ending June 30,		2005	\$ 6,346	2006	6,346	Total Minimum Lease Payments	12,692	Less: Amount Representing Interest	1,037	Total Present Value of Net Minimum Lease Payments	\$ 11,655
Fiscal Year Ending June 30,													
2005	\$ 6,346												
2006	6,346												
Total Minimum Lease Payments	12,692												
Less: Amount Representing Interest	1,037												
Total Present Value of Net Minimum Lease Payments	\$ 11,655												

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

10-A. 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
11/01/03	06/01/13	3.50%	\$ 181,000	\$ 166,000	\$ 15,000
12/17/01	11/01/11	4.95%	500,000	400,000	100,000
03/27/01	03/27/06	7.00%	26,388	11,655	14,733
06/18/03	06/18/13	None	98,764	98,764	
03/10/04	03/10/14	5.62%	71,253	71,253	
Totals			<u>\$ 877,405</u>	<u>\$ 747,672</u>	<u>\$ 129,733</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	\$ 165,000	\$ 181,000	\$ 180,000 *	\$ 166,000
Certificates of indebtedness	450,000		50,000	400,000
Postdated warrants	98,764	71,253		170,017
Capital leases	16,908		5,253	11,655
Total	<u>\$ 730,672</u>	<u>\$ 252,253</u>	<u>\$ 235,253</u>	<u>\$ 747,672</u>

* Includes \$165,000 in early retirement of debt. See Note 10-B.

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	\$ 15,000	\$ 151,000	\$ 166,000
Certificates of indebtedness	50,000	350,000	400,000
Postdated warrants	5,503	164,514	170,017
Capital leases	5,627	6,028	11,655
Total	<u>\$ 76,130</u>	<u>\$ 671,542</u>	<u>\$ 747,672</u>

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2004

10-A. LONG-TERM OBLIGATIONS (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2005	\$ 76,130	\$ 29,106	\$ 105,236
2006	76,840	25,396	102,236
2007	72,139	21,751	93,890
2008	76,484	18,398	94,882
2009	76,848	14,832	91,680
2010-2014	369,231	25,239	394,470
Totals	<u>\$ 747,672</u>	<u>\$ 134,722</u>	<u>\$ 882,394</u>

10-B. ADVANCE REFUNDING OF DEBT

On November 1, 2003, the District issued \$181,000 in refunding bonds with an interest rate of 3.50 percent to advance refund \$165,000 of outstanding bonds dated December 1, 1993, with an interest rate of 5.00 percent. The net proceeds of \$168,525 (after bond issuance costs of \$11,726) and operating funds in the amount of \$1,125 were used to purchase U.S. Government securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 bonds. As a result the 1993 bonds are considered to be defeased and the liability for these bonds has been removed from the long-term debt. An additional \$749 was received as a result of the refunding to be used for debt service on the new issue. The 1993 bonds were called for redemption on December 1, 2003.

11. INTERFUND TRANSFERS

The FFS reflects interfund transfers of \$189,623 from the general fund to the building fund to complete the construction of the building for the gym and classrooms. Transfers were also made from the general fund to the debt service fund in the amount of \$18,919 for debt related payments. Additionally, the FFS reflects interfund transfers of \$38,870 from the general fund to the special revenue fund. These transfers were comprised of net amounts transferred to refund expenditures for the year ended June 30, 2004.

12. 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.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
YELL COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

12. RETIREMENT PLANS (Continued)

Arkansas Teacher Retirement System (Continued)

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 \$117,946, \$102,544 and \$95,882, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$3,099, \$3,208 and \$3,505, 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 \$217, \$189 and \$564, respectively, equal to the required contributions for each year.

13. SUBSEQUENT EVENTS

The Fourche Valley School District, at their meeting on March 11, 2004, with all board members present, approved by a unanimous vote to administratively consolidate, under the requirements of Act 60 of the 2004 Special Session, with Ola, Plainview-Rover and Perry-Casa School Districts.

The State Board of Education approved the administrative consolidation of the Fourche Valley School District, Plainview-Rover School District, Perry-Casa School District and the Ola School District, at their meeting on Monday, May 10, 2004, at 8:00 a.m. in the Auditorium of the State Education Building with one (1) member absent.

Effective July 1, 2004, the name of the new district formed by the administrative consolidation of these Districts is the Two Rivers School District.

FOURCHE VALLEY SCHOOL DISTRICT NO. 13
 YELL 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	\$ 165,300	\$ 144,933	\$ (20,367)
State assistance	777,861	808,989	31,128
Federal assistance	377,888	456,616	78,728
Activity revenues		60,264	60,264
Meal sales	14,150	15,418	1,268
Interest on investments	5,950	2,784	(3,166)
Other revenues	183,330	148,160	(35,170)
TOTAL REVENUES	1,524,479	1,637,164	112,685
EXPENDITURES			
Regular programs	549,246	577,669	(28,423)
Special education	49,733	74,702	(24,969)
Workforce education	86,068	97,840	(11,772)
Compensatory education	45,922	35,748	10,174
Other instructional programs	30,311	33,298	(2,987)
Support services - students	63,940	86,592	(22,652)
Instructional staff support services	74,274	71,827	2,447
General administrative support services	98,394	109,057	(10,663)
School administration support services	75,929	80,958	(5,029)
Business support services	35,349	52,082	(16,733)
Operation and maintenance of plant services	121,049	170,746	(49,697)
Student transportation services	72,169	126,934	(54,765)
Other support services	5,424	37,644	(32,220)
Non-instructional - food services operations	92,967	110,532	(17,565)
Community services	100	13,723	(13,623)
Non-programmed costs		12,500	(12,500)
Activity expenditures		64,380	(64,380)
Capital outlay	167,085	304,026	(136,941)
Debt service:			
Principal retirement	71,346	70,253	1,093
Interest and fiscal charges	33,708	26,114	7,594
TOTAL EXPENDITURES	1,673,014	2,156,625	(483,611)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(148,535)	(519,461)	(370,926)
OTHER FINANCING SOURCES (USES)			
Transfers in	30,000	247,412	217,412
Transfers out	(30,000)	(247,412)	(217,412)
Proceeds from sale of bonds		181,000	181,000
Net bond issuance cost		(11,726)	(11,726)
Interest on early retirement of debt		(4,650)	(4,650)
Proceeds from postdated warrants		71,253	71,253
Early retirement of debt		(165,000)	(165,000)
TOTAL OTHER FINANCING SOURCES (USES)	0	70,877	70,877
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(148,535)	(448,584)	(300,049)
FUND BALANCES - JULY 1	441,236	420,777	(20,459)
FUND BALANCES - JUNE 30	\$ 292,701	\$ (27,807)	\$ (320,508)