

# **Delight School District No. 44**

**Pike County, Arkansas**

## **Basic Financial Statements and Other Reports**

**June 30, 2004**



DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2004

Independent Auditor's Report  
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Auditing Standards*  
Management's Discussion and Analysis

GENERAL PURPOSE FINANCIAL STATEMENTS

	<u>Exhibit</u>
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	A
Statement of Activities	B
Fund Financial Statements:	
Balance Sheet - Governmental Funds	C
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets	D
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	E
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities	F
Statement of Fiduciary Net Assets	G
Notes to Financial Statements	

REQUIRED SUPPLEMENTARY INFORMATION

	<u>Schedule</u>
Budgetary Comparison Schedule for Governmental Funds	1

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

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Delight School District No. 44 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 Delight School District No. 44 (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 April 12, 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  
April 12, 2005  
EDSD29204

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*

Delight School District No. 44 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 Delight School District No. 44 (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 April 12, 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(s)

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  
April 12, 2005

**DELIGHT SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For Fiscal Year Ending June 30, 2004**

The discussion and analysis of Delight School District's annual financial report provides a review of the district's financial activities for the fiscal year ending June 30, 2004. The intent of this discussion and analysis is to look at the district's financial performance as a whole. Readers should also review the basic financial statement and notes to enhance understanding of the district's financial performance.

In June of 1999, the Governmental Accounting Standards Board (GASB) issued Statement 34 to establish new requirements for the annual financial report of various governmental agencies, which includes school districts. The district is required to use these reporting standards beginning with the fiscal year ending June 30, 2004. comparative data is not required to be presented between the current year and previous year and not provided in this report. In future years the district will include comparative information in all aspects.

The Delight School District Board of Education realizes patrons have little choice about paying taxes and understands the obligation of good stewardship of the monies entrusted to them to meet the educational needs of the students of the District. With this in mind, we take this opportunity to introduce you to the financial statement of Delight School District and the useful information these statements contain.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of a series of financial statements and notes to those statements. The notes will 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.

The Statement of net Assets and Statement of Activities are considered district-wide statements. These provide information about the over-all or district-wide activities including short-term and long-term information and overall financial status. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

Fund financial statements provide the next level of detail and focus on individual parts of the district telling how services were financed in the short-term as well as what remains for future spending. The District is reporting two kinds of funds, governmental and fiduciary.

Governmental fund statements tell how basic services like regular and special education programs were financed and what remains for future spending. A comparison can be made as to the amount of funds spent in each area.

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. These would include the agency funds of the district activity funds and scholarship funds.

## **FINANCIAL ANALYSIS OF THE DISTRICT**

### **District-Wide Statements**

#### **Statement of Net Assets**

The Statement of Net Assets presents a picture of the district as of June 30, 2004. This document reports the district's assets, liabilities and net assets. The net assets are calculated by subtracting the liabilities from the assets. This change identifies whether the financial position of the district has improved or diminished.

**Assets** - The district's total current assets at June 30, 2004 were \$1,093,509. Current assets consisted of cash of \$306,142, investments of \$509,169, property taxes receivable of \$267,295 and accounts receivable of \$10,903. Noncurrent assets consisted of capital assets, net of accumulated depreciation of \$1,135,266, of \$1,112,506. The total assets were \$2,206,015.

**Liabilities** - The district's total liabilities at June 30, 2004 were \$363,239. The liabilities consisted of current liabilities of \$1,733 and long-term liabilities of \$361,506.

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

Invested in capital assets, net of related debt - \$751,000  
Restricted - \$29,200  
Unrestricted - \$1,062,576  
Net assets totaled \$1,842,776

### **Statement of Activities**

The current year revenues and expenses are accounted for in the statement of activities. All of the district's activities are reported as governmental activities. Property taxes and state equalization funds constitute the major portion of revenue. This document also reports the changes in net assets and helps to answer the question, "Is the district better off or worse off as a result of the year's activities?"

**Program Revenues** - Program Revenues for the year ended June 30, 2004 were \$387,979. Such revenues consisted of \$243,867 operating grants and contributions, \$133,091 charges for services, and \$11,021 capital grants and contributions.

**General Revenues** - General revenues for the year ended June 30, 2004 consisted primarily of \$654,525 property taxes, \$1,492,539 state aid not restricted to specific purposes, and \$124,219 property tax relief distribution.

**Total Revenues** - Total revenues, consisting of program and general revenues, were \$2,721,642.

**Program Expenses** - Total expenses, primarily by function, were - \$ 2,608,419.

The net (expense) revenue, which is a comparison of expenses to program revenues, reflected a deficiency of \$2,220,440 for the year ended June 30, 2004.

Special items primarily consisted of transactions relating to the write-off of equipment due to a change in capitalization policy (from \$500 to \$1,000) of \$380,514.

The change in net assets for the year ended June 30, 2004, was a decrease of \$426,874.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

Capital assets, net of accumulated depreciation of \$1,135,266, were \$1,112,506. By the end of the 2004 school year, the district had invested \$20,223 in a daycare building (Kiddieland Express). Total depreciation expenses for the year exceeded \$87,056 (which included \$1,085,791 retro depreciation due to becoming GASB34 compliant). Projects included new fencing around the gym and playground.

### **Long-term Debt**

At the end of the fiscal year for 2004, the district had \$361,506 in general obligation bonds and other long-term debt outstanding. No new debt was incurred during the current year.

## **SUMMARY AND ECONOMIC OUTLOOK**

The District's overall financial position is strong and anticipates the current fiscal year will be comparable with 2004. The district will continue to maintain a close watch over resources in order to have the ability to react to declining enrollment trends and other unknown variables. The Delight School District is fiscally sound and solvent due to the insightfulness of the patrons of the district in support of their school district with a strong mileage rate.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Delight School District, P.O. Box 8, Delight, AR, 71940 or telephone (870) 379-2214.

DELIGHT SCHOOL DISTRICT NO. 44  
 PIKE COUNTY, ARKANSAS  
 STATEMENT OF NET ASSETS  
 AS OF JUNE 30, 2004

Exhibit A

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Current Assets:	
Cash	\$ 306,142
Investments	509,169
Property taxes receivable (net)	267,295
Accounts receivable	10,903
Total Current Assets	1,093,509
Noncurrent Assets:	
Capital assets (net of accumulated depreciation of \$1,135,266)	1,112,506
Total Assets	2,206,015
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	1,733
Long-term obligations:	
Due within one year:	
Bonds payable, capital leases and contracts	53,251
Due beyond one year:	
Bonds payable, capital leases and contracts	308,255
Total Liabilities	363,239
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	751,000
Restricted for:	
Special programs	29,200
Unrestricted	1,062,576
Total Net Assets	\$ 1,842,776

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

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
<u>Functions/Programs</u>					
<u>Governmental Activities:</u>					
Regular instruction	\$ 1,175,727	\$ 55,349	\$ 26,641		\$ (1,093,737)
Special education instruction	105,271		15,206		(90,065)
Workforce education instruction	156,173				(156,173)
Compensatory education services	76,949		70,344		(6,605)
Other instruction	48,441				(48,441)
Total Instruction	1,562,561	55,349	112,191		(1,395,021)
<u>Support Services:</u>					
Student services	86,657				(86,657)
Instructional staff services	86,076				(86,076)
General administration services	131,911		17,883		(114,028)
School administration services	142,363		8,981		(133,382)
Business support services	73,692		3,414		(70,278)
Operation and maintenance of plant services	212,236			\$ 11,021	(201,215)
Student transportation services	76,937		376		(76,561)
Central services	31,745				(31,745)
Other support services	77				(77)
Total Support Services	841,694		30,654	11,021	(800,019)
<u>Operation of Non-instructional Services:</u>					
Food services operations	152,415	56,934	101,022		5,541
Community services	29,339	20,808			(8,531)
Total Non-instructional Services	181,754	77,742	101,022		(2,990)
<u>Other uses:</u>					
Interest on long-term debt	22,410				(22,410)
Total School District	\$ 2,608,419	\$ 133,091	\$ 243,867	\$ 11,021	(2,220,440)
<u>General revenues:</u>					
<u>Taxes:</u>					
Property taxes, levied for general purposes					502,444
Property taxes, levied for debt service					152,081
Property tax relief trust distribution					124,219
State and federal aid not restricted to specific purposes					1,492,539
Interest and investment earnings					13,271
Debt service supplemental funding					21,893
Miscellaneous					15,356
<u>Special items</u>					
Disposal of capital assets					(380,514)
Donations of improvements					4,000
Proceeds from sale of capital assets					7,860
Total general revenues, special items, and extraordinary items					1,953,149
Change in net assets					(267,291)
Net Assets - beginning of year as originally reported					3,619,033
Prior year general long-term debt					(423,175)
Cumulative effects of changes in accounting principles					(1,085,791)
Net Assets - beginning of year restated					2,110,067
Net Assets - ending of year					\$ 1,842,776

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

DELIGHT SCHOOL DISTRICT NO. 44  
 PIKE COUNTY, ARKANSAS  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 JUNE 30, 2004

Exhibit C

	Major Governmental Fund Types		Totals
	General	Special Revenue Fund	Governmental Funds
<b>ASSETS</b>			
Cash	\$ 276,942	\$ 29,200	\$ 306,142
Investments	509,169		509,169
Property taxes receivable, net	267,295		267,295
Accounts receivable	10,903		10,903
TOTAL ASSETS	\$ 1,064,309	\$ 29,200	\$ 1,093,509
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,733		\$ 1,733
Deferred revenue	249,231		249,231
Total Liabilities	250,964		250,964
Fund Equity:			
Fund Balances:			
Unreserved, reported in:			
General	813,345		813,345
Special revenue		\$ 29,200	29,200
Total Fund Balances	813,345	29,200	842,545
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,064,309	\$ 29,200	\$ 1,093,509

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

DELIGHT SCHOOL DISTRICT NO. 44  
 PIKE COUNTY, ARKANSAS  
 RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2004

Exhibit D

Total fund balances for governmental funds:			\$	842,545
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	\$	2,247,772	
	The accumulated depreciation is		<u>(1,135,266)</u>	1,112,506
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.				249,231
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		325,000	
	Postdated warrants		30,980	
	Capital leases payable		<u>5,526</u>	<u>(361,506)</u>
Total net assets - governmental activities			\$	<u><u>1,842,776</u></u>

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

DELIGHT SCHOOL DISTRICT NO. 44  
 PIKE COUNTY, ARKANSAS  
 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	\$ 405,294			\$ 405,294
State assistance	1,656,003	\$ 1,706		1,657,709
Federal assistance		235,830		235,830
Activity revenues	52,087			52,087
Meal sales		45,575		45,575
Interest on investments	13,271			13,271
Other revenues	36,164	14,621		50,785
<b>TOTAL REVENUES</b>	<b>2,162,819</b>	<b>297,732</b>		<b>2,460,551</b>
EXPENDITURES				
Current:				
Regular programs	1,104,710	21,260		1,125,970
Special education	93,076	11,718		104,794
Workforce education	156,075			156,075
Compensatory education	6,892	70,056		76,948
Other instructional programs	48,442			48,442
Support services- students	71,230	14,895		86,125
Instructional staff support services	51,447	6,921		58,368
General administrative support services	127,640	3,400		131,040
School administration support services	141,965			141,965
Business support services	73,692			73,692
Operation and maintenance of plant services	176,668			176,668
Student transportation services	57,736	290		58,026
Other support services	31,745			31,745
Non-instructional - food services operations		150,387		150,387
Community services	28,951			28,951
Activity expenditures	49,757			49,757
Capital outlay	36,696			36,696
Debt service:				
Principal retirement	14,181	2,488	\$ 45,000	61,669
Interest and fiscal charges	2,162	489	19,759	22,410
<b>TOTAL EXPENDITURES</b>	<b>2,273,065</b>	<b>281,904</b>	<b>64,759</b>	<b>2,619,728</b>

DELIGHT SCHOOL DISTRICT NO. 44  
 PIKE COUNTY, ARKANSAS  
 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	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (110,246)	\$ 15,828	\$ (64,759)	\$ (159,177)
OTHER FINANCING SOURCES (USES)				
Transfers in			64,759	64,759
Transfers out	(64,759)			(64,759)
Proceeds from sale of capital assets	7,860			7,860
TOTAL OTHER FINANCING SOURCES (USES)	(56,899)		64,759	7,860
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(167,145)	15,828		(151,317)
FUND BALANCES - JULY 1	980,490	13,372		993,862
FUND BALANCES - JUNE 30	\$ 813,345	\$ 29,200	\$ 0	\$ 842,545

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

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS

Exhibit F

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

Net change in fund balances -- total governmental funds \$ (151,317)

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 depreciation exceeds capital outlays in the current period.

Depreciation	\$	87,056	
Capital outlay		<u>(36,696)</u>	(50,360)

Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Repayments:

Bonds payable		45,000	
Postdated warrants payable		5,308	
Installment agreements payable		2,488	
Capital leases payable		<u>8,873</u>	
Net adjustment for debt related transactions			61,669

Adjustments to capital assets (i.e., disposal of capital assets) that do not result from current year purchases are not reflected in governmental funds. However, such changes are reflected in the statement of activities.

(376,514)

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.

249,231

Change in net assets of governmental activities \$ (267,291)

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

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
STATEMENT OF FIDUCIARY NET ASSETS  
AS OF JUNE 30, 2004

Exhibit G

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 18,385</u>
LIABILITIES	
Due to student groups	<u>\$ 18,385</u>

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

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE 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 are the primary operating fund of the District. The General Fund is available for any purpose provided it is expended or transferred in accordance with state and federal laws and according to District policy.

**Special revenue 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.

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

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

C. **FUNDS (Continued)**

**Governmental Funds (Continued)**

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

**Fiduciary Funds**

Fiduciary funds include agency funds. The agency fund accounts for assets held by the District as an agent for schools, and other parties, such as school organizations. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are reported using the accrual basis of accounting. 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 activities are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level.

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

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

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

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE 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 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.

**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 sale of fixed assets,) are accounted for as other financing sources (uses). Such transactions are recognized at the time the underlying events occur.

**Deferred Revenues**

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

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

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

**E. BUDGETS**

The District uses the following budget practices:

The District is required by state law to prepare an annual budget. The annual budget covers all funds but the activity funds. The annual budget is prepared on a fiscal year basis. The District does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis.

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

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**

Cash includes amounts in demand deposits and interest-bearing demand deposits. 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. INVESTMENTS**

Investments are limited by the District's investment policy. If the original maturities of investments exceed 90 days, they are classified as investments; however, if the original maturities are 90 days or less, they are classified as cash equivalents.

**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.

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

DELIGHT SCHOOL DISTRICT NO. 44  
 PIKE COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2004

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

**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
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. SPECIAL ITEMS**

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

**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. 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)	\$ 100,000	\$ 100,000
Uninsured, Collateralized	224,527	328,094
Total Deposits	\$ 324,527	\$ 428,094

**3. INVESTMENTS**

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

Type of Investment	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of deposit	\$ 509,169	\$ 0	\$ 0	\$ 509,169	\$ 509,169

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**4. RECEIVABLES**

The receivables of \$278,198 at June 30, 2004, are as follows:

Class of Receivable	General Fund
Taxes:	
Local	\$ 267,295
Accounts	10,903
	\$ 278,198
Totals	\$ 278,198

**5. CAPITAL ASSETS**

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$ 66,797			\$ 66,797
<i>Capital assets being depreciated:</i>				
Buildings	1,460,232	\$ 20,223		1,480,455
Site improvements/infrastructure	29,321	6,542		35,863
Machinery and equipment	1,068,821	13,931	\$ 418,095	664,657
Total Depreciated	2,558,374	40,696	418,095	2,180,975
Less accumulated depreciation for:				
Buildings	673,459	26,469		699,928
Site improvements/infrastructure	5,982	1,711		7,693
Machinery and equipment	406,350	58,876	37,581	427,645
Total accumulated depreciation	1,085,791	87,056	37,581	1,135,266
Total capital assets depreciated, net	1,472,583	(46,360)	380,514	1,045,709
Governmental activity capital assets, net	\$ 1,539,380	\$ (46,360)	\$ 380,514	\$ 1,112,506

Depreciation was charged to functions as follows:

Special education	\$ 477
Workforce education	98
Support services - students	532
Instructional staff support	27,708
General administrative support	871
School administration support	398
Operation and maintenance of plant	35,568
Student transportation	18,911
Other support	77
Non-instructional - food services	2,028
Community services	388
	\$ 87,056
Total Allocated Depreciation	\$ 87,056

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**6. ACCOUNTS, SALARIES AND OTHER PAYABLES**

The payables of \$1,733 at June 30, 2004, are as follows:

	General Fund
Accounts	\$ 1,733

**7. LEASES**

The District records (does not record) items under capital leases as an asset and an obligation in the accompanying financial statements. The following is an analysis of capital leases:

Type	Recorded Amount
Equipment	\$ 12,500

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:

Fiscal Year Ending June 30,	
2005	\$ 2,993
2006	2,992
Total Minimum Lease Payments	5,985
Less: Amount Representing Interest	459
Total Present Value of Net Minimum Lease Payments	\$ 5,526

**8. LONG-TERM OBLIGATIONS**

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2004	Maturities to June 30, 2004
11/1/1996	2/1/2016	5.19%	\$ 295,000	\$ 225,000	\$ 70,000
5/1/2000	2/1/2007	4.975%	200,000	100,000	100,000
8/1/2000	8/1/2008	5.20%	46,130	30,980	15,150
6/25/2001	6/25/2006	6.975%	12,500	5,526	6,974
Totals			\$ 553,630	\$ 361,506	\$ 192,124

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**8. LONG-TERM OBLIGATIONS (Continued)**

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

	Balance July 1, 2003	Reductions	Balance June 30, 2004
Bonds payable	\$ 370,000	\$ 45,000	\$ 325,000
Postdated warrants	36,288	5,308	30,980
Capital leases	8,014	2,488	5,526
Installment contracts	8,873	8,873	
<b>Totals</b>	<b>\$ 423,175</b>	<b>\$ 61,669</b>	<b>\$ 361,506</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	\$ 45,000	\$ 280,000	\$ 325,000
Postdated warrants	5,584	25,396	30,980
Capital leases	2,667	2,859	5,526
<b>Totals</b>	<b>\$ 53,251</b>	<b>\$ 308,255</b>	<b>\$ 361,506</b>

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

Year Ended June 30,	Principal	Interest	Total
2005	\$ 53,251	\$ 18,589	\$ 71,840
2006	58,734	15,836	74,570
2007	56,180	12,877	69,057
2008	21,502	10,035	31,537
2009	21,839	8,919	30,758
2010-2014	100,000	28,545	128,545
2015-2019	50,000	3,893	53,893
<b>Totals</b>	<b>\$ 361,506</b>	<b>\$ 98,694</b>	<b>\$ 460,200</b>

DELIGHT SCHOOL DISTRICT NO. 44  
PIKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2004

**9. RETIREMENT PLANS**

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 13%. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$170,501, \$155,510 and \$147,706, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$6,212, \$6,185 and \$4,743, respectively, equal to the required contributions for each year.

DELIGHT SCHOOL DISTRICT NO. 44  
 PIKE COUNTY, ARKANSAS  
 BUDGETARY COMPARISON SCHEDULE FOR GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 453,806	\$ 405,294	\$ (48,512)
State assistance	1,535,663	1,657,709	122,046
Federal assistance	196,851	235,830	38,979
Activity revenues		52,087	52,087
Meal sales	60,000	45,575	(14,425)
Interest on investments	18,500	13,271	(5,229)
Other revenues	31,952	50,785	18,833
<b>TOTAL REVENUES</b>	<b>2,296,772</b>	<b>2,460,551</b>	<b>163,779</b>
<b>EXPENDITURES</b>			
Regular programs	1,109,927	1,125,970	(16,043)
Special education	109,488	104,794	4,694
Workforce education	158,923	156,075	2,848
Compensatory education	70,907	76,948	(6,041)
Other instructional programs	51,945	48,442	3,503
Support services - students	88,073	86,125	1,948
Instructional staff support services	59,702	58,368	1,334
General administrative support services	156,738	131,040	25,698
School administration support services	137,651	141,965	(4,314)
Business support services	98,039	73,692	24,347
Operation and maintenance of plant services	172,351	176,668	(4,317)
Student transportation services	58,876	58,026	850
Other support services		31,745	(31,745)
Non-instructional - food services operations	145,871	150,387	(4,516)
Community services	36,232	28,951	7,281
Non-programmed costs	7,195		7,195
Activity expenditures		49,757	(49,757)
Capital outlay	52,830	36,696	16,134
Debt service:			
Principal retirement	35,000	61,669	(26,669)
Interest and fiscal charges	19,823	22,410	(2,587)
<b>TOTAL EXPENDITURES</b>	<b>2,569,571</b>	<b>2,619,728</b>	<b>(50,157)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(272,799)</b>	<b>(159,177)</b>	<b>113,622</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	1,370,481	64,759	(1,305,722)
Transfers out	(1,370,481)	(64,759)	1,305,722
Proceeds from sale of capital assets		7,860	7,860
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>7,860</b>	<b>7,860</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(272,799)</b>	<b>(151,317)</b>	<b>121,482</b>
<b>FUND BALANCES - JULY 1</b>	<b>1,012,001</b>	<b>993,862</b>	<b>(18,139)</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 739,202</b>	<b>\$ 842,545</b>	<b>\$ 103,343</b>