

Paron School District No. 2

Saline County, Arkansas

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



PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
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JUNE 30, 2004

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Senate Co-Chair
Rep. Tommy G. Roebuck
House Co-Chair
Sen. Randy Laverty
Senate Co-Vice Chair
Rep. David Evans
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Paron School District No. 2 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 Paron School District No. 2 (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.

The accompanying financial statements have been prepared assuming that the District will continue as a going concern. As discussed in Note 9 to the financial statements, the District has been merged with the Bryant School District No. 25.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 8, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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 that reads "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 8, 2004
EDSD33404

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

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Paron School District No. 2 and School Board Members
Legislative Joint Auditing Committee

We have audited the basic financial statements of the Paron School District No. 2 (the "District"), as of and for the year ended June 30, 2004, and have issued our report thereon dated December 8, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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*.

Internal Control Over Financial Reporting

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

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the 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.

AUDIT FINDINGS

Reportable Condition(s)

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

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
December 8, 2004

**Paron School District No. 2
200 Northwest Fourth Street
Bryant, AR 72022**

MANAGEMENT'S DISCUSSION AND ANALYSIS
Fiscal Year Ending June 30, 2004

This section of Paron School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended June 30, 2004. The intent of this discussion and analysis is to offer an easy-to-read overview of the financial statements and the information they contain. Please read it in conjunction with the District's financial statements that immediately follow this section.

The Governmental Accounting Standards Board has established requirements (GASB-34) for the annual financial reporting of various governmental agencies including public schools. Paron School District was required to report according to these standards beginning with the fiscal year ending June 30, 2004. Therefore, the 2003-2004 school year financial statements use the accrual method of reporting.

Effective July 1, 2004, Paron School District No. 2 was annexed into the Bryant School District No. 25, thereby ceasing to exist as a separate and distinct entity. Educational services will continue to be provided to the students in the Paron area by the Bryant School District.

The patrons of the Paron School District provide financial support for the District through the payment of taxes. The Paron School Board represented the patrons of the District and monitored the budgeting process as well as all District expenditures. It was incumbent on the Board to exhibit fiscal responsibility and exercise good stewardship in the management of all of the District's resources. It was the intent of the Paron School District to present financial information in a manner that is clear and comprehensible so that this report might prove useful to all readers.

Overview of Financial Statements

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Other Supplemental Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Assets and The Statement of Activities, 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.
 - *Governmental funds statements* tell how basic services such as 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 Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data. The Notes are followed by a section of required Supplementary Information that further explains and supports the Basic Financial Statements.

Table 1 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Table 1
 Major Features of District-wide and Fund Financial Statements

	<u>District-wide Statements</u>	<u>Fund Financial Statements</u>	
		Governmental Funds	Fiduciary Funds
Scope	Entire District	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Instances in which the District administers resources on behalf of someone else, such as student activities monies
Required financial statements	>Statement of Net Assets >Statement of Activities	>Balance Sheet >Statement of Revenues, Expenditures, and Changes in Fund Balances	>Statement of fiduciary net assets >Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset and liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received	Revenues for which cash is received during or soon after the end of the year. Expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid

District-wide Statements

The first two statements are *district-wide statements* that report information about the District as a whole using accounting methods similar to those used by private-sector companies.

- *The Statement of Net Assets* includes all of the District's assets and liabilities. This statement reports the District's net assets and any changes that have resulted during the fiscal year. Net Assets (the difference between the District's assets and liabilities) is one way to measure the District's financial health or position.
- *The Statement of Activities* accounts for all the current year's revenues and expenses. In this district-wide financial statement, all of the District's activities are reported as governmental activities. Property taxes and state funding finance most of these activities.

The Statement of Net Assets provides financial information on the District as a whole. Table 2 provides a summary of the District's net assets as of June 30, 2004.

Table 2
 Statement of Net Assets
 June 30, 2004

Assets	
Current assets	\$634,862
Capital assets	<u>725,105</u>
Total assets	\$1,359,967
Liabilities	
Current and other liabilities	\$ 82,641
Long-term liabilities	<u>166,570</u>
Total liabilities	\$249,211
Net Assets	
Invested in capital assets, net of related debt	\$558,535
Unrestricted	<u>552,221</u>
Total net assets	<u>\$1,110,756</u>

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.

Table 3
 Comparison of Increase in Net Assets
 June 30, 2004

Asset Type	June 30, 2003	June 30, 2004	\$ Decrease	% Decrease
Capital Assets	\$1,647,585	\$1,596,968	\$50,617	3.1%
Net Assets	822,568	725,105	97,463	11.8%

Paron School District was required to record depreciation for the fiscal year ended June 30, 2004 for the first time. Accumulated depreciation of \$825,017 was applied to the June 30, 2003 capital asset balance, retroactively, and \$871,863 was applied to the June 30, 2004 balance. The District's combined net assets changes reflect additions, net of accumulated depreciation, in the amount of \$53,903 and deletions totaling \$151,366.

The results of the fiscal year's operations for the District as a whole are presented in the *Statement of Activities*, (Table 4). This table shows the change in total net assets for the 2003-04 school year. As this is the first year that we have prepared our financial statements in accordance with GASB Statement 34, we are unable to present comparative data for the prior school year.

Table 4
 Statement of Activities
 June 30, 2004

	<u>Amount</u>	<u>% of Total</u>
Program revenues		
Charges for services	\$ 111,297	4.5%
Operating grants	252,154	10.2%
General revenues		
Property taxes	713,341	29.0%
State and Federal aid (unrestricted)	1,375,989	52.8%
Other	<u>10,952</u>	<u>0.5%</u>
Total revenue	<u>2,463,733</u>	<u>100.00%</u>
Expenses		
Instruction	1,161,851	57.6%
Supporting Services	755,876	37.4%
Food Service	91,487	4.5%
Interest on long-term debt	<u>9,215</u>	<u>0.5%</u>
	<u>2,018,429</u>	<u>100.0%</u>
Increase in net assets	445,304	
Prior year corrections	(75,379)	
Long-term debt	(165,802)	
Prior year accumulated depreciation	(825,017)	
Total assets (beginning of year)	<u>1,731,650</u>	
Total net assets (end of year)	<u>\$1,110,756</u>	

This document also reports the changes in net assets, which serves to determine if the District has experienced financial gain or loss during the fiscal year. The net assets showed an increase in the amount of \$445,304 as of June 30, 2004 before prior year corrections, long-term debt and prior year accumulated depreciation. The District's combined net assets of \$1,110,756 were significantly more on June 30, 2004, than the June 30, 2003, combined net assets of \$665,452, increasing more than 66.8%.

GASB-34 requires that governments recognize the depreciation of capital assets. The *Statement of Activities* reflects \$46,846 in depreciation for the 2003-04 year and a total of \$871,863 in accumulated depreciation. The \$871,863 of accumulated depreciation includes old vehicles, buildings, computers, and other equipment items that have fully depreciated.

Revenue - The *Statement of Activities* in Table 4 highlights the revenue collected and the expenditures incurred for the fiscal year and are reported as Government Activities. Property taxes and state equalization aid account for the vast majority of the revenue received by the District.

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.

Expenditures - The *Statement of Activities* in Table 4 also summarizes monies expended to operate the District. There are three primary categories: Instruction (57.1%), Support Services (35.6%), and Food Service Operations (4.5%).

Fund Financial Statements

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes 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.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Student Activities Funds. The District is responsible for ensuring that assets reported in these funds are used only for the purposes intended and are used only by those to whom the assets belong. The District excludes these activities from the *district-wide financial statements* because it cannot use these assets to finance its operations.

Financial Analysis of the District's Funds

The District uses funds to record and analyze financial information. Bryant School District's funds are described as follows:

General Fund

The General Fund was our primary operating fund. The General Fund had total revenues of \$1,817,945, total expenses of \$1,740,445, and other financing sources of \$33,110. The fiscal year ended with a fund balance of \$187,675. It is important to note once again that the 2003-04 school year is the first year to report using GASB-34 guidelines. Therefore, the revenue and fund balance for 2003-04 cannot be compared to the previous year.

Special Revenue Funds

The District operates several Revenue Funds for federal grants and the food service department. Total revenues and transfers of the Special Revenue Funds totaled \$310,395 and expenditures of \$302,137. The ending fund balance was \$10,755.

Debt Service Fund

A transfer of \$4,503 was made from the Debt Service Fund to cover expenditure of the same amount for the District's debt payment. The ending balance was zero in the Debt Service Fund.

Fiduciary Funds

The Student Activity Fund is operated as Agency Funds of the District. The assets of these funds are being held for the benefit of the District's students. Balances on hand on June 30, 2004, totaled \$14,278.

Financial Highlights

Student Membership Changes

The Bryant School District has experienced a student membership increase over the past year. Student average daily membership (ADM) increased from 262.21 in 2003 to 271.94 in 2004.

State Revenue

State revenue of \$1,152,027 for 2004 decreased 1% from the prior year as shown below.

Table 5
 State Revenue
 June 30, 2004

Funding Source	2003	2004	Incr (Decr)	% Change
State Equalization	937,557.00	893,368.00	(44,189.00)	-5%
Student Growth		31,350.00	31,350.00	N/A
Isolated Funding	197,837.00	192,101.00	(5,736.00)	-3%
Incentive Funding	25,074.00	35,208.00	10,134.00	40%
Total	1,160,468.00	1,152,027.00	(8,441.00)	-1%

Local Tax Assessment

The District's local tax collection increased to \$452,365.99 from \$432,837.66 the previous year. The millage rate was 34.2 mills for local taxes.

Capital Asset and Debt Administration

Capital Assets

By the end of the 2003-04 school year, the District had invested \$1,461,518 in a broad range of capital assets including land, school buildings, improvements other than buildings, computer, machinery, equipment, and vehicles. This amount represents a net decrease of \$50617 or - 3.3% before accumulated depreciation. Total current year depreciation expense (required by GASB-34) for the year was \$46,846. Accumulated depreciation as of June 30, 2004, totaled \$589,655 resulting in net capital assets of \$725,105.

Table 6
 Capital Assets
 June 30, 2004

Asset	2002-2003	2003-2004	Incr (Decr)	% Change
Land	135,450	135,450	0	0.0%
Buildings	1,013,851	1,013,851	0	0.0%
Improve other than Buildings	70,116	70,116	0	0.0%
Machinery and Equipment	428,168	377,551	(50,617)	-11.8%
Total Assets	1,647,585	1,596,968	(50,617)	-3.1%
Less Accumulated Depreciation	825,017	871,863	46,846	5.7%
Total Net Assets	822,568	725,105	(97,463)	-11.8%

Outstanding Debt

As of June 30, 2004, the Bryant School District had outstanding indebtedness in the amount of \$166,570. This represents \$71,226 in certificates of indebtedness and \$95,344 in capital leases. Current debt totals \$44,218 and long-term indebtedness totals \$122,352.

The Future of the District

The Paron School District ceased to exist as an educational entity as of July 1, 2004, pursuant to ACA 6-13-1603 when it was annexed into the Bryant School District. The educational needs of the students of the Paron District will continue to be served by Bryant.

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:

Bryant School District
 200 Northwest Fourth Street
 Bryant, AR 72222.

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2004

Exhibit A

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 203,805
Property taxes receivable	353,791
Accounts receivable	77,266
Total Current Assets	634,862
Noncurrent Assets:	
Capital assets (net of accumulated depreciation of \$871,863)	725,105
TOTAL ASSETS	1,359,967
LIABILITIES	
Current liabilities:	
Accounts payable	82,641
Long-term obligations	
Due within one year	
Bonds payable, capital leases, and contracts	44,218
Due beyond one year	
Bonds payable, capital leases, and contracts	122,352
TOTAL LIABILITIES	249,211
NET ASSETS	
Invested in capital assets, net of related debt	558,535
Restricted for:	
Special Revenue	10,755
Unrestricted	541,466
TOTAL NET ASSETS	\$ 1,110,756

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

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2004

Exhibit B

<u>Functions/Programs</u>	Program Revenues		Net (Expenses) Revenue and Changes in Net Assets	
<u>Governmental Activities:</u>	Expenses	Charges for Services	Operating Grants and Contributions	Total Governmental Activities
Regular instruction	\$ 870,451	\$ 56,848	\$ 1,720	\$ (811,883)
Special education instruction	166,204		66,266	(99,938)
Workforce education instruction	49,356		1,168	(48,188)
Adult/Alternative education	8,631			(8,631)
Compensatory education services	54,491		45,582	(8,909)
Other instruction	12,718		89,226	76,508
Total instruction	1,161,851	56,848	203,962	(901,041)
Support services				
Student services	106,245			(106,245)
Instructional staff services	54,196			(54,196)
General administration services	163,402			(163,402)
School administration services	84,526			(84,526)
Operation and maintenance of plant services	166,896	8,225		(158,671)
Student transportation services	175,765			(175,765)
Central services	4,846			(4,846)
Total support services	755,876	8,225		(747,651)
Operation of non-instructional services				
Food services operations	91,487	46,224	41,969	(3,294)
Other non-instructional services			6,223	6,223
Total non-instructional services	91,487	46,224	48,192	2,929
Other uses				
Interest on long-term debt	9,215			(9,215)
Total school district	\$ 2,018,429	\$ 111,297	\$ 252,154	(1,654,978)
General revenues:				
Taxes:				
Property taxes, levied for general purposes				713,341
State and Federal aid not restricted to specific purposes				1,375,989
Interest and investment earnings				5,111
Miscellaneous				4,991
Special item - gain on sale of fixed assets				850
Total general revenues and special items				2,100,282
Change in net assets				445,304
Net Assets - beginning of year as originally reported				1,731,650
Corrections to prior year fixed assets				(75,379)
Cummulative effects of changes in accounting principles				(825,017)
Prior year general long term debt				(165,802)
Net Assets - beginning of year restated				665,452
Net Assets - ending of year				\$ 1,110,756

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

PARON SCHOOL DISTRICT NO. 2
 SALINE COUNTY, ARKANSAS
 BALANCE SHEET - GOVERNMENTAL FUNDS
 JUNE 30, 2004

Exhibit C

	(Major) Governmental Fund Types		Totals
	General	Special Revenue Fund	Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 193,050	\$ 10,755	\$ 203,805
Property taxes receivable, net	353,791		353,791
Accounts receivable	77,266		77,266
TOTAL ASSETS	\$ 624,107	\$ 10,755	\$ 634,862
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payables	\$ 82,641		\$ 82,641
Deferred revenue	353,791		353,791
Total Liabilities	436,432		436,432
Fund Equity:			
Fund balances:			
Unreserved	187,675		187,675
Unreserved, reported in:			
Special revenue		\$ 10,755	10,755
Total fund balances	187,675	10,755	198,430
TOTAL LIABILITIES AND FUND BALANCES	\$ 624,107	\$ 10,755	\$ 634,862

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

PARON SCHOOL DISTRICT NO. 2
 SALINE 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:			\$	198,430
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	\$ 1,596,968		
	the accumulated depreciation is	<u>(871,863)</u>		725,105
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.				353,791
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:				
	Certificates of Indebtedness	71,226		
	Capital leases payable	<u>95,344</u>		<u>(166,570)</u>
Total net assets - governmental activities			\$	<u><u>1,110,756</u></u>

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

PARON SCHOOL DISTRICT NO. 2
SALINE 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 Fund	Special Revenue Fund	Debt Service Fund	
REVENUES				
Property taxes	\$ 359,550			\$ 359,550
State assistance	1,237,620	\$ 953		1,238,573
Federal assistance	130,097	243,838		373,935
Activity revenues	56,585			56,585
Meal sales		27,657		27,657
Interest on investments	4,979	132		5,111
Other revenues	29,114	18,567		47,681
	<u>1,817,945</u>	<u>291,147</u>		<u>2,109,092</u>
TOTAL REVENUES				
EXPENDITURES				
Current:				
Regular programs	749,785	52,170		801,955
Special education	117,045	49,159		166,204
Workforce education	49,356			49,356
Adult/alternative education	8,631			8,631
Compensatory education		54,491		54,491
Other instructional programs	12,650			12,650
Support services- students	69,198	36,797		105,995
Instructional staff support services	48,353	5,834		54,187
General administrative support services	160,601			160,601
School administration support services	84,526			84,526
Operation and maintenance of plant services	175,294			175,294
Student transportation services	142,924	12,818		155,742
Other support services	4,846			4,846
Non-instructional - food services operations		90,868		90,868
Activity expenditures	59,809			59,809
Capital outlay	1,975			1,975
Debt service:				
Principal retirement	46,237			46,237
Interest and fiscal charges	9,215			9,215
	<u>1,740,445</u>	<u>302,137</u>		<u>2,042,582</u>
TOTAL EXPENDITURES				

PARON SCHOOL DISTRICT NO. 2
 SALINE 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 Fund	Special Revenue Fund	Debt Service Fund	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 77,500	\$ (10,990)		\$ 66,510
OTHER FINANCING SOURCES (USES)				
Transfers in	4,503	19,248		23,751
Transfers out	(19,248)		\$ (4,503)	(23,751)
Value of capital leases	47,005			47,005
Proceeds from sale of capital assets	850			850
TOTAL OTHER FINANCING SOURCES (USES)	33,110	19,248	(4,503)	47,855
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	110,610	8,258	(4,503)	114,365
FUND BALANCES - JULY 1	77,065	2,497	4,503	84,065
FUND BALANCES - JUNE 30	\$ 187,675	\$ 10,755	\$ 0	\$ 198,430

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

PARON SCHOOL DISTRICT NO. 2
SALINE 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 \$ 114,365

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	\$	46,846	
Capital outlay		24,762	(22,084)

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.

Repayments:

Certificates of indebtedness issued		31,851	
Capital lease		14,386	
Net adjustment for debt related transactions			46,237

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability.

(47,005)

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.

353,791

Change in net assets of governmental activities: \$ 445,304

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

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
STATEMENT OF FIDUCIARY NET ASSETS
AS OF JUNE 30, 2004

Exhibit G

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 14,278</u>
LIABILITIES	
Due to student groups	<u>\$ 14,278</u>

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

PARON SCHOOL DISTRICT NO. 2
SALINE 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.

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

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

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

C. **FUNDS (Continued)**

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).

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.

PARON SCHOOL DISTRICT NO. 2
SALINE 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)

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.

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.

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. BUDGETS (Continued)

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. CAPITAL ASSETS

Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Donated capital assets are reported at fair market value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

H. RESTRICTED NET ASSETS

For GWFS, net assets are reported as restricted when constraints placed on net asset use are either:

1. Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; and
2. Imposed by law through constitutional provisions or enabling legislation.

I. FUND EQUITY

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

J. 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.

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. INTERFUND TRANSACTIONS

Transactions that constitute reimbursements to a fund for expenditures initially made from it that are properly applicable to another fund are recorded as expenditures in the reimbursing fund and as reductions of expenditures in the fund that is reimbursed. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers. All other interfund transactions are reported as transfers.

L. ESTIMATES

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenditures, and expenses during the reporting period. Actual results could differ from those estimates.

M. 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)	\$ 28,521	\$ 100,000
Uninsured, Uncollateralized		5,830
Total Deposits	\$ 28,521	\$ 105,830

The above total deposits do not include cash in the amount of \$189,562, which was held in the Saline County Treasury.

3. RECEIVABLES

The receivables of \$431,057 at June 30, 2004, are as follows:

Class of Receivable	General Fund
Taxes:	
Local	\$ 353,791
Accounts	77,266
Totals	\$ 431,057

Local taxes receivable were \$353,791 net of estimated delinquent taxes payments of \$71,341. Collection of delinquent taxes is a function of County Government.

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

4. CAPITAL ASSETS

	Balance July 1, 2003	Additions	Deletions	Balance June 30, 2004
<i>Capital assets not being depreciated:</i>				
Land	\$ 135,450			\$ 135,450
<i>Capital assets being depreciated:</i>				
Buildings	1,013,851			1,013,851
Site improvements/infrastructure	70,116			70,116
Machinery and equipment	428,168	\$ 100,749	\$ 151,366	377,551
Total Depreciated	1,512,135	100,749	151,366	1,461,518
Less accumulated depreciation for:				
Buildings	599,535	15,652		615,187
Site improvements/infrastructure	16,856	2,902		19,758
Machinery and equipment	208,626	28,292		236,918
Total accumulated depreciation	825,017	46,846		871,863
Total capital assets depreciated, net	687,118	53,903	151,366	589,655
Governmental activity capital assets, net	\$ 822,568	\$ 53,903	\$ 151,366	\$ 725,105

Depreciation was charged to functions as follows:

Regular instruction	\$ 8,687
Other instructional programs	68
Support services - students	250
Instructional staff support	9
General administrative support	2,801
Operation and maintenance of plant	14,389
Student transportation	20,023
Non-instructional - food services	619
	619
Total Allocated Depreciation	\$ 46,846

5. ACCOUNTS AND SALARIES PAYABLE

The payables of \$82,641 at June 30, 2004, are as follows:

	General Fund
Salaries	\$ 4,321
Accounts	78,320
	78,320
Totals	\$ 82,641

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

6. 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
School Buses	\$ 140,440

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	\$	25,503
2006		25,503
2007		25,503
2008		7,493
2009		7,493
2010-2014		22,481
Total Minimum Lease Payments		113,976
Less: Amount Representing Interest		18,632
Total Present Value of Net Minimum Lease Payments	\$	95,344

7. 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
4/22/1996	5/1/2004	5.85 - 7%	\$ 60,000		\$ 60,000
8/15/1997	5/1/2025	5.85 - 6.75%	69,813	\$ 8,726	61,087
6/19/2000	11/1/2007	5.85 - 6.25%	125,000	62,500	62,500
9/15/1999	11/15/2006	6.20%	48,650	19,802	28,848
10/15/2001	11/15/2006	5.49%	44,785	28,537	16,248
8/13/2003	9/1/2011	5.65%	47,005	47,005	
Totals			\$ 395,253	\$ 166,570	\$ 228,683

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

7. 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	Additions	Reductions	Balance June 30, 2004
Certificates of indebtedness	\$ 103,077		\$ 31,851	\$ 71,226
Capital leases	62,725	\$ 47,005	14,386	95,344
Totals	\$ 165,802	\$ 47,005	\$ 46,237	\$ 166,570

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
Certificates of indebtedness	\$ 24,351	\$ 46,875	\$ 71,226
Capital leases	19,867	75,477	95,344
Totals	\$ 44,218	\$ 122,352	\$ 166,570

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

Year Ended June 30,	Principal	Interest	Total
2005	\$ 44,218	\$ 9,350	\$ 53,568
2006	36,821	6,596	43,417
2007	38,039	4,464	42,503
2008	21,318	2,261	23,579
2009	6,014	1,479	7,493
2010-2014	20,160	2,320	22,480
Totals	\$ 166,570	\$ 26,470	\$ 193,040

8. 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.

PARON SCHOOL DISTRICT NO. 2
SALINE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2004

8. 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 \$125,728, \$118,718 and \$119,662, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2004, 2003 and 2002 were \$7,343, \$3,927 and \$3,504, 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 \$3,911, \$2,628 and \$3,026, respectively, equal to the required contributions for each year.

9. GOING CONCERN

The Paron School District No. 2 Board of Education voluntarily agreed to administratively consolidate with the Bryant School District No. 25 in accordance with ACA 6-13-1603. On July 1, 2004, the consolidation became effective and the Paron School District No. 2 ceased to exist as an administrative unit.

PARON SCHOOL DISTRICT NO. 2
SALINE 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	\$ 419,100	\$ 359,550	\$ (59,550)
State assistance	1,138,500	1,238,573	100,073
Federal assistance	221,663	373,935	152,272
Activity revenues	66,500	56,585	(9,915)
Meal sales	41,650	27,657	(13,993)
Interest on investments	5,700	5,111	(589)
Other revenues	1,000	47,681	46,681
TOTAL REVENUES	1,894,113	2,109,092	214,979
EXPENDITURES			
Regular programs	748,953	801,955	(53,002)
Special education	119,434	166,204	(46,770)
Workforce education	41,892	49,356	(7,464)
Adult/alternative education		8,631	(8,631)
Compensatory education	57,174	54,491	2,683
Other instructional programs	12,399	12,650	(251)
Support services - students	92,811	105,995	(13,184)
Instructional staff support services	44,358	54,187	(9,829)
General administrative support services	180,747	160,601	20,146
School administration support services	78,392	84,526	(6,134)
Business support services	4,876		4,876
Operation and maintenance of plant services	185,119	175,294	9,825
Student transportation services	95,190	155,742	(60,552)
Other support services		4,846	(4,846)
Non-instructional - food services operations	82,931	90,868	(7,937)
Activity expenditures		59,809	(59,809)
Capital outlay		1,975	(1,975)
Debt service:			
Principal retirement	31,851	46,237	(14,386)
Interest and fiscal charges	5,591	9,215	(3,624)
TOTAL EXPENDITURES	1,781,719	2,042,582	(260,863)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	112,394	66,510	(45,884)

PARON SCHOOL DISTRICT NO. 2
 SALINE COUNTY, ARKANSAS
 BUDGETARY COMPARISON SCHEDULE FOR GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2004

Schedule 1

	Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)			
Transfers in	\$ 853,157	\$ 23,751	\$ (829,406)
Transfers out	(853,157)	(23,751)	829,406
Value of capital leases		47,005	47,005
Proceeds from sale of capital assets		850	850
Other uses	(10,300)		10,300
	(10,300)	47,855	58,155
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 102,094	 114,365	 12,271
 FUND BALANCES - JULY 1	 177,130	 84,065	 (93,065)
 FUND BALANCES - JUNE 30	 \$ 279,224	 \$ 198,430	 \$ (80,794)