

**SOUTHEAST ARKANSAS EDUCATION SERVICE
COOPERATIVE**

**General Purpose Financial Statements
and Other Reports
June 30, 2000**

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
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JUNE 30, 2000

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Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Southeast Arkansas Education Service Cooperative and Executive Board Members
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Southeast Arkansas Education Service Cooperative as of and for the year ended June 30, 2000, as listed in the table of contents. These financial statements are the responsibility of Southeast Arkansas Education Service Cooperative's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Southeast Arkansas Education Service Cooperative as of June 30, 2000, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 22, 2001 on our consideration of the Southeast Arkansas Education Service Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

DIVISION OF LEGISLATIVE AUDIT

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

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
August 22, 2001
EDSC01500

Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
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Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Southeast Arkansas Education Service Cooperative and Executive Board Members
Legislative Joint Auditing Committee

The underlying purpose of this letter is to convey certain observations and recommendations regarding state and federal compliance and internal control in conjunction with our audit of the Southeast Arkansas Education Service Cooperative. This letter reflects various requirements and pronouncements of the American Institute of Certified Public Accountants (AICPA), the United States General Accounting Office (GAO), the United States Office of Management and Budget (OMB), the Single Audit Act of 1984 and the Single Audit Act Amendments of 1996. Section I of this letter is designed to satisfy certain requirements for compliance and internal control over financial reporting, whereas, Section II is designed to satisfy certain requirements for compliance requirements applicable to each major federal award program and internal control over compliance in accordance with OMB Circular A-133.

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

We have audited the general purpose financial statements of the Southeast Arkansas Education Service Cooperative, as of and for the year ended June 30, 2000, and have issued our report thereon dated August 22, 2001. 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 Southeast Arkansas Education Service Cooperative's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, and federal contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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

AUDIT FINDING

Reportable Condition

The Southeast Arkansas Education Service Cooperative had inadequate control over cash transactions because of insufficient segregation of duties due to a limited number of personnel.

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

Compliance

We have audited the compliance of the Southeast Arkansas Education Service Cooperative with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2000. The Southeast Arkansas Education Service Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Federal Award Programs - Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Southeast Arkansas Education Service Cooperative's management. Our responsibility is to express an opinion on the Southeast Arkansas Education Service Cooperative's compliance based on our audit.

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

In our opinion, the Southeast Arkansas Education Service Cooperative complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2000.

Internal Control Over Compliance

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

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

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

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "William R. Baum". The signature is written in a cursive style with a prominent initial "W".

William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
August 22, 2001

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS
 JUNE 30, 2000

Exhibit A

	Governmental Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Trust and Agency	General Fixed Assets	General Long- Term Debt	
ASSETS						
Cash	\$ 902,552	\$ 248,233	\$ 804			\$ 1,151,589
Deposits with paying agent	1,448					1,448
Accounts receivable	15,000	94,911				109,911
Land				\$ 7,000		7,000
Buildings				889,957		889,957
Equipment				758,017		758,017
Amount to be provided for retirement of general long-term debt					\$ 107,324	107,324
TOTAL ASSETS	\$ 919,000	\$ 343,144	\$ 804	\$ 1,654,974	\$ 107,324	\$ 3,025,246
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 28,718	\$ 31,755				\$ 60,473
Due to employee group			\$ 804			804
Notes payable					\$ 107,324	107,324
Total Liabilities	28,718	31,755	804		107,324	168,601
Fund Equity:						
Investment in general fixed assets				\$ 1,654,974		1,654,974
Fund balances:						
Unreserved:						
Undesignated	890,282	311,389				1,201,671
Total Fund Equity	890,282	311,389		1,654,974		2,856,645
TOTAL LIABILITIES AND FUND EQUITY	\$ 919,000	\$ 343,144	\$ 804	\$ 1,654,974	\$ 107,324	\$ 3,025,246

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

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

Exhibit B

	General	Special Revenue	Totals (Memorandum Only)
REVENUES			
State assistance	\$ 2,484,226		\$ 2,484,226
Federal assistance		\$ 2,835,354	2,835,354
Interest on investments	71,239		71,239
Other revenues	1,325,653		1,325,653
TOTAL REVENUES	3,881,118	2,835,354	6,716,472
EXPENDITURES			
Regular programs	131,810		131,810
Special education	684,998	277,445	962,443
Vocational education	51,384	496,063	547,447
Adult education	307,079	238,291	545,370
Compensatory education	585,122		585,122
Other instructional programs	200,458	676,227	876,685
Support services	1,992,637	1,046,457	3,039,094
Debt service:			
Principal retirement	13,915		13,915
Interest and fiscal charges	3,465		3,465
TOTAL EXPENDITURES	3,970,868	2,734,483	6,705,351
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(89,750)	100,871	11,121
FUND BALANCES - JULY 1	980,032	210,518	1,190,550
FUND BALANCES - JUNE 30	\$ 890,282	\$ 311,389	\$ 1,201,671

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

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2000

Exhibit C

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
State assistance	\$ 1,762,434	\$ 2,484,226	\$ 721,792
Federal assistance	3,860,125	2,835,354	(1,024,771)
Activity revenues	1,200		(1,200)
Interest on investments	65,000	71,239	6,239
Other revenues	1,127,267	1,325,653	198,386
TOTAL REVENUES	6,816,026	6,716,472	(99,554)
EXPENDITURES			
Regular programs	50,303	131,810	(81,507)
Special education	869,037	962,443	(93,406)
Vocational education	1,178,278	547,447	630,831
Alternative education	469,764	545,370	(75,606)
Compensatory education	565,266	585,122	(19,856)
Other instructional programs	1,146,847	876,685	270,162
Support services	2,938,614	3,039,094	(100,480)
Community services	451,099		451,099
Non-program charges	7,163		7,163
Debt service:			
Principal retirement	17,380	13,915	3,465
Interest and fiscal charges		3,465	(3,465)
TOTAL EXPENDITURES	7,693,751	6,705,351	988,400
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(877,725)	11,121	888,846
FUND BALANCES - JULY 1	1,106,597	1,190,550	83,953
FUND BALANCES - JUNE 30	\$ 228,872	\$ 1,201,671	\$ 972,799

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

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Directors, a twenty-one (21) member group, is the level of government which has responsibilities over all activities within the jurisdiction of the Southeast Arkansas Education Service Cooperative. The Southeast Arkansas Education Service Cooperative serves Arkansas, Ashley, Bradley, Chicot, Cleveland, Desha, Drew and Lincoln counties.

The Southeast Arkansas Education Service Cooperative's financial statements reflect all funds and accounts directly under the control of the Cooperative. There are no component units.

B. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The following types of funds and account groups are recognized in the accompanying financial statements, if applicable:

Governmental Funds

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

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

Fiduciary Funds

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

Account Groups

General Fixed Assets - This group of accounts is established to account for all fixed assets of the entity.

General Long-term Debt - This group of accounts is established to account for all long-term debt of the entity.

C. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Exceptions to the general rule include: (1) principal and interest on general long-term debt which is recognized when due; and (2) prepaid expenses, which are not recorded. Federal grants and entitlements are recognized as revenues when received, with the unearned, unexpended balance recognized as a fund balance for financial statement presentation purposes, except for federal grants that are recognized as revenues when earned.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. General Fixed Assets

General fixed assets purchased are recorded as expenditures at the time of purchase. Such assets are capitalized at cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs and installation costs) in the general fixed assets group of accounts. Gifts or contributions are generally recorded in the general fixed assets group of accounts at fair market value at the time received. Library holdings and textbooks are not capitalized by the Southeast Arkansas Education Service Cooperative. No depreciation has been provided on general fixed assets.

E. Inventories

Inventory items are considered expenditures when purchased. This is an acceptable alternative due to the insignificant amounts involved.

F. Liability for Compensated Absences

Generally accepted accounting principles require an employer to accrue a liability for employees' rights to receive compensation for future absences if certain conditions are met. The accompanying financial statements do not provide for this liability as the small number of Southeast Arkansas Education Service Cooperative personnel eligible for compensated absences indicates an immaterial obligation on the part of the Cooperative.

G. Fund Equity

Fund Balance - Undesignated Fund Balance indicates that portion of fund equity which is available for budgeting in future periods.

H. Budget and Budgetary Accounting

The Southeast Arkansas Education Service Cooperative is required by the State Department of Education to prepare a budget. The budget is prepared on the modified accrual basis of accounting which is in accordance with generally accepted accounting principles.

The following policies and procedures are established by the State Department of Education for preparing and utilizing the annual budget:

1. Prior to September 15, the Southeast Arkansas Education Service Cooperative is required to submit a proposed budget for the upcoming year.
2. Upon approval by the State Department of Education, the Cooperative adopts the budget and integrates it into their accounting and reporting system as a management control device.
3. The Southeast Arkansas Education Service Cooperative is legally required to have a budget although it is not intended to be legally restrictive.
4. Budget amendments are not required to be submitted for approval to the Department of Education.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Encumbrances

Encumbrances are defined as commitments related to unperformed contracts for goods or services. The Southeast Arkansas Education Service Cooperative does not record encumbrances in its accounting system and none are recorded in the accompanying financial statements.

NOTE 2: Memorandum Totals

Combined financial statements of fund types and account groups have a "total" column that aggregates the columnar statements by fund type and account group. The total column is captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation.

NOTE 3: Budget Versus Actual - Exhibit C

On-behalf payments as described at Note 9 are nonbudgeted financial data for the year ended June 30, 2000. Such payments are recorded as actual revenues and expenditures at Exhibit C.

NOTE 4: Public Fund Deposits

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 103,842	\$ 103,842
Uninsured, Collateralized	1,047,647	1,521,522
Total Deposits	\$ 1,151,489	\$ 1,625,364

The above total deposits do not include cash on hand in the amount of \$100.

NOTE 5: Changes in General Fixed Assets

A summary of changes in general fixed assets is as follows:

	Balance July 1, 1999	Additions	Deletions	Balance June 30, 2000
Land	\$ 7,000			\$ 7,000
Buildings	889,957			889,957
Equipment	819,600	\$ 176,466	\$ 238,049	758,017
Totals	\$ 1,716,557	\$ 176,466	\$ 238,049	\$ 1,654,974

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 6: Long-term Debt Issued and Outstanding

Long-term liabilities are payable out of future income of the Southeast Arkansas Education Service Cooperative. The Southeast Arkansas Education Service Cooperative is presently paying on the following long-term debt:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2000</u>	<u>Maturities To June 30, 2000</u>
05/01/97	04-01-97	3%	<u>\$ 150,000</u>	<u>\$ 107,324</u>	<u>\$ 42,676</u>

NOTE 7: Changes in Long-term Debt

The changes in long-term debt are as follows:

	<u>Balance July 1, 1999</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2000</u>
Notes payable	<u>\$ 121,239</u>	<u>\$ 0</u>	<u>\$ 13,915</u>	<u>\$ 107,324</u>

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2001	\$ 14,349	\$ 3,032	\$ 17,381
2002	14,787	2,594	17,381
2003	15,238	2,143	17,381
2004	15,698	1,683	17,381
2005	16,182	1,199	17,381
To Maturity	<u>31,070</u>	<u>906</u>	<u>31,976</u>
Totals	<u>\$ 107,324</u>	<u>\$ 11,557</u>	<u>\$ 118,881</u>

NOTE 8: Retirement Plan

Arkansas Teacher Retirement System

Plan Description. The Southeast Arkansas Education Service Cooperative contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan. 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.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 8: Retirement Plan (Continued)

Arkansas Teacher Retirement System (Continued)

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by code to contribute 6% of their salary. Each participating employer is required by code to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The employer contribution was paid by the Department of Education from the Public School Fund, except for those employees paid from federal funding. Employer contributions for those employees were paid by the Southeast Arkansas Education Service Cooperative. The employer contribution for nonfederal funded members was the lesser of the result of multiplying the applicable percent of active member payroll for the fiscal year by the total covered salaries of the previous fiscal year, including any prior year reported salaries, or the amount appropriated by the Arkansas General Assembly. The Department of Education determines the amount funded. The Department of Education's contributions to ATRS for the Southeast Arkansas Education Service Cooperative during the years ended June 30, 2000, 1999 and 1998 were \$234,419, \$223,072 and \$182,944, respectively. The Southeast Arkansas Education Service Cooperative's contributions to ATRS for federally funded employees for the years ended June 30, 2000, 1999 and 1998 were \$57,174, \$68,389 and \$58,381, respectively, equal to the required contributions for each year.

NOTE 9: On-Behalf Payments

The accompanying financial statements reflect on-behalf payments for health insurance premiums paid by the Arkansas Department of Education in the amount of \$82,878. Additionally, these financial statements include on-behalf payments for retirement matching paid to the Arkansas Teacher Retirement System by the Arkansas Department of Education totaling \$234,419.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2000

Schedule 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
SPECIAL EDUCATION CLUSTER			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	22-20	\$ 217,201
Special Education - Preschool Grants	84.173	22-20	415,294
			<u>632,495</u>
TOTAL SPECIAL EDUCATION CLUSTER			
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
<u>National Institute for Literacy</u>			
Passed Through State Department of Education:			
Technology Literacy Challenge Funds Grant	84.257	Note 2	45,076
Safe and Drug Free School and Communities- State Grants	84.318	Note 2	71,176
Vocational Education - Basic Grants to States	84.186	22-20	66,652
Eisenhower Professional Development- Federal Activities	84.048	22-20	496,063
Goals 2000 - State and Local Educational Systemic Improvement Grants	84.168	22-20	110,638
Adult Education-State Grant Program	84.276	22-20	64,209
Bilingual Education Support Services	84.002	22-20	474,835
Total U. S. Department of Education	84.194	Note 2	82,644
			<u>1,411,293</u>
<u>U. S. Department of Labor</u>			
Passed Through State Department of Education:			
Employment Services and Job Training - Pilot and Demonstration Programs	17.249	22-20	275,487
<u>U.S. Department of Health and Human Services</u>			
Passed Through State Department of Education			
Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	22-20	45
<u>Corporation for National and Community Service</u>			
Passed Through State Department of Human Services:			
Americorps	94.006	94ASCAR0040301	676,227
			<u>2,363,052</u>
TOTAL OTHER PROGRAMS			<u>2,363,052</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 2,995,547</u>

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1: Basis of Presentation - The accompanying schedule of expenditures of federal awards includes the federal grant activity of Southeast Arkansas Education Service Cooperative and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits to States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

Note 2: The Federal CFDA Number or other identifying was not available.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
 FEDERAL AWARD PROGRAMS -
 FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2000

Schedule 2

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Report condition(s) identified that are not considered to be material weakness(es)? yes X none reported

Noncompliance material to financial statements noted yes X no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? yes X no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes X none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes X no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027 & 84.173	Special Education Cluster
84.048	Vocational Education - Basic Grants to States
84.002	Adult Education - State Grant Program
94.006	Americorps

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

Auditee qualified as low-risk auditee? yes X no

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
FEDERAL AWARD PROGRAMS -
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2000

Schedule 2

SECTION II - FINANCIAL STATEMENT FINDINGS

REPORTABLE CONDITION

2000-1. Segregation of Duties

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

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

Effect - The Cooperative had inadequate control over cash transactions.

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

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

Response - We concur with the recommendation.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings and questioned costs noted.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE
FEDERAL AWARD PROGRAMS -
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2000

Schedule 3

There are no findings in the prior audit.