

Walker School District No. 33

Columbia County, Arkansas

**General Purpose Financial Statements
and Other Reports
June 30, 2002**

LEGISLATIVE JOINT AUDITING COMMITTEE



WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2002

Independent Auditor's Report
Combined Report(s) on Compliance, Internal Controls and Other Matters

GENERAL PURPOSE FINANCIAL STATEMENTS

Exhibit

Combined Balance Sheet - Governmental and Fiduciary Fund Types and Account Groups	A
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund Types	B
Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual - Governmental Fund Types	C
Notes to Financial Statements	

Sen. Henry "Hank" Wilkins, IV
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

Walker School District No. 33 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Walker School District No. 33 (the "District"), as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of district management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, 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 February 27, 2003 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.

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
February 27, 2003
EDSD07002

Sen. Henry "Hank" Wilkins, IV
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

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

Walker School District No. 33 and School Board Members
Legislative Joint Auditing Committee

We have audited the general purpose financial statements of the Walker School District No. 33 (the "District") as of and for the year ended June 30, 2002, and have issued our report thereon dated February 27, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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 general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are disclosed below in the Audit Findings section of this letter.

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

AUDIT FINDING

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

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

This report is intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management and district management and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
February 27, 2003

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2002

Exhibit A

	Governmental Fund Types			Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
ASSETS							
Cash	\$ 254,640	\$ 124,968	\$ 39,939	\$ 8,484			\$ 428,031
Accounts receivable	135	7,916					8,051
Due from other funds	20,000						20,000
Land					\$ 11,504		11,504
Buildings					1,606,462		1,606,462
Equipment					417,826		417,826
Amount to be provided for retirement of general long-term debt						\$ 817,553	817,553
TOTAL ASSETS	\$ 274,775	\$ 132,884	\$ 39,939	\$ 8,484	\$ 2,035,792	\$ 817,553	\$ 3,309,427
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 6,364	\$ 525					\$ 6,889
Due student groups				\$ 8,484			8,484
Due to other funds		20,000					20,000
Bonds payable						\$ 665,000	665,000
Capital leases						147,056	147,056
Installment contracts						5,497	5,497
Total Liabilities	6,364	20,525		8,484		817,553	852,926
Fund Equity:							
Investment in general fixed assets					\$ 2,035,792		2,035,792
Fund balances:							
Unreserved:							
Undesignated	268,411	112,359	\$ 39,939				420,709
Total Fund Equity	268,411	112,359	39,939		2,035,792		2,456,501
TOTAL LIABILITIES AND FUND EQUITY	\$ 274,775	\$ 132,884	\$ 39,939	\$ 8,484	\$ 2,035,792	\$ 817,553	\$ 3,309,427

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

WALKER SCHOOL DISTRICT NO. 33
 COLUMBIA COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002

Exhibit B

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
REVENUES					
Property taxes	\$ 194,488				\$ 194,488
State assistance	957,903	\$ 875			958,778
Federal assistance		252,963			252,963
Activity revenues	52,621				52,621
Meal sales		3,914			3,914
Interest on investments	3,135				3,135
Other revenues	31,195	4,126			35,321
TOTAL REVENUES	1,239,342	261,878			1,501,220
EXPENDITURES					
Regular programs	538,200				538,200
Special education	58,816	25,112			83,928
Workforce education	99,401				99,401
Compensatory education		66,749			66,749
Other instructional programs	5,865				5,865
Support services	617,020	181,790		\$ 22,389	821,199
Activity expenditures	48,131				48,131
Capital outlay				258,358	258,358
Debt service:					
Principal retirement	9,443		\$ 15,000		24,443
Interest and fiscal charges	4,352		37,549		41,901
TOTAL EXPENDITURES	1,381,228	273,651	52,549	280,747	1,988,175
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(141,886)	(11,773)	(52,549)	(280,747)	(486,955)

WALKER SCHOOL DISTRICT NO. 33
 COLUMBIA COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2002

Exhibit B

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
OTHER FINANCING SOURCES (USES)					
Transfers in			\$ 52,549		\$ 52,549
Transfers out	\$ (52,549)				(52,549)
Compensation for loss of fixed assets	16,692				16,692
Value of capital lease	92,100				92,100
TOTAL OTHER FINANCING SOURCES (USES)	56,243		52,549		108,792
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(85,643)	\$ (11,773)		\$ (280,747)	(378,163)
FUND BALANCES - JULY 1	354,054	124,132		320,686	798,872
FUND BALANCES - JUNE 30	<u>\$ 268,411</u>	<u>\$ 112,359</u>	<u>\$ 0</u>	<u>\$ 39,939</u>	<u>\$ 420,709</u>

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

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS

Exhibit C

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2002

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 221,500	\$ 194,488	\$ (27,012)
State assistance	885,619	958,778	73,159
Federal assistance	118,820	252,963	134,143
Activity revenues		52,621	52,621
Meal sales		3,914	3,914
Interest on investments	12,000	3,135	(8,865)
Other revenues	23,500	35,321	11,821
TOTAL REVENUES	1,261,439	1,501,220	239,781
EXPENDITURES			
Regular programs	534,191	538,200	(4,009)
Special education	81,765	83,928	(2,163)
Workforce education	106,630	99,401	7,229
Compensatory education	68,006	66,749	1,257
Other instructional programs	520	5,865	(5,345)
Support services	683,962	821,199	(137,237)
Community services	300		300
Non-programmed costs	13,000		13,000
Activity expenditures		48,131	(48,131)
Capital outlay		258,358	(258,358)
Debt service:			
Principal retirement	28,154	24,443	3,711
Interest and fiscal charges	38,182	41,901	(3,719)
TOTAL EXPENDITURES	1,554,710	1,988,175	(433,465)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(293,271)	(486,955)	(193,684)
OTHER FINANCING SOURCES (USES)			
Transfers in		52,549	52,549
Transfers out		(52,549)	(52,549)
Compensation for loss of fixed assets		16,692	16,692
Value of capital lease		92,100	92,100
TOTAL OTHER FINANCING SOURCES (USES)		108,792	108,792
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(293,271)	(378,163)	(84,892)
FUND BALANCES - JULY 1	791,758	798,872	7,114
FUND BALANCES - JUNE 30	\$ 498,487	\$ 420,709	\$ (77,778)

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

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

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

B. Basis of Presentation - Fund Accounting

The accounts are maintained in accordance with the principles of fund accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The following types of funds and account groups are recognized in the accompanying financial statements.

Governmental Funds

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

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

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

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

Fiduciary Funds

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

Account Groups

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

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

C. Basis of Accounting

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

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. General Fixed Assets

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

E. Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 10 of the same calendar year.

F. Inventories

Inventories are considered expenditures when purchased.

G. Interfund Receivables and Payables

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

H. Liability for Compensated Absences

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

I. Fund Equity

Fund Balance - Undesignated fund balance indicates that portion of fund equity not reserved or designated.

J. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the school districts employ the cash basis method.

K. Encumbrances

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

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: Commitments

The District was contractually obligated for the following at June 30, 2002:

Operating Lease (noncapital leases with initial or remaining noncancellable lease terms in excess of one year)

General description of lease and leasing arrangements:

Lease of four (4) copiers for sixty (60) months at \$439.42 per month.

1. Future minimum rental payments (aggregate) at June 30, 2002: \$21,971
2. Future minimum rental payments for the five (5) succeeding years:

Year Ended June 30,	Amount
2003	\$ 5,273
2004	5,273
2005	5,273
2006	5,273
2007	879

NOTE 3: Budget Versus Actual

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

NOTE 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)	\$ 123,255	\$ 195,823
Uninsured, Collateralized	304,776	367,402
Total Deposits	\$ 428,031	\$ 563,225

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 5: Changes in General Fixed Assets

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	\$ 11,504			\$ 11,504
Buildings	1,348,104	\$ 258,358		1,606,462
Equipment	322,796	140,390	\$ 45,360	417,826
Totals	<u>\$ 1,682,404</u>	<u>\$ 398,748</u>	<u>\$ 45,360</u>	<u>\$ 2,035,792</u>

NOTE 6: Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2002	Maturities To June 30, 2002
6/21/99	6/21/09	5.65%	\$ 22,645	\$ 17,120	\$ 5,525
11/15/99	11/15/07	6.20%	47,696	37,836	9,860
3/28/00	3/28/03	8.75%	10,132	5,497	4,635
11/1/00	2/1/28	4.90 -5.75%	720,500	665,000	55,500
5/28/02	5/13/10	4.875%	92,100	92,100	
Totals			<u>\$ 893,073</u>	<u>\$ 817,553</u>	<u>\$ 75,520</u>

NOTE 7: Changes in Long-term Debt

	Balance July 1, 2001	Issued	Retired	Balance June 30, 2002
Bonds payable	\$ 680,000		\$ 15,000	\$ 665,000
Capital leases	61,983	\$ 92,100	7,027	147,056
Installment contracts	7,913		2,416	5,497
Totals	<u>\$ 749,896</u>	<u>\$ 92,100</u>	<u>\$ 24,443</u>	<u>\$ 817,553</u>

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 7: Changes in Long-term Debt (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2003	\$ 37,935	\$ 44,116	\$ 82,051
2004	33,012	42,383	75,395
2005	33,990	40,670	74,660
2006	40,022	38,902	78,924
2007	41,112	36,833	77,945
To Maturity	<u>631,482</u>	<u>380,347</u>	<u>1,011,829</u>
Totals	<u>\$ 817,553</u>	<u>\$ 583,251</u>	<u>\$ 1,400,804</u>

NOTE 8: Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2002
Buses	\$ 162,441
Excel lighting equipment	<u>47,696</u>
Total	<u>\$ 162,441</u>
	<u>June 30, 2002</u>
Total Minimum Lease Payments	\$ 179,317
Less: Amount Representing Interest	<u>32,261</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 147,056</u>

WALKER SCHOOL DISTRICT NO. 33
COLUMBIA COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 9: Retirement Plans

Arkansas Teacher Retirement System

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

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2002, 2001 and 2000 were \$88,499, \$89,287 and \$85,416, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2002, 2001 and 2000 were \$4,825, \$4,977 and \$4,830, 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, 2002, 2001 and 2000 were \$322, \$677 and \$662, respectively, equal to the required contributions for each year.