

Alzheimer Unified School District No. 22

Jefferson County, Arkansas

General Purpose Financial Statements and Other Reports June 30, 2001

LEGISLATIVE JOINT AUDITING COMMITTEE



ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2001

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

GENERAL PURPOSE FINANCIAL STATEMENTS

	<u>Exhibit</u>
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	

SUPPORTING SCHEDULES

	<u>Schedule</u>
Expenditures of Federal Awards	1
Federal Award Programs - Findings and Questioned Costs	2
Federal Award Programs - Summary of Prior Audit Findings	3

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

Alzheimer Unified School District No. 22 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Alzheimer Unified School District No. 22 (the "District"), as of and for the year ended June 30, 2001, 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, 2001, 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 May 16, 2002 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.

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 District. 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
May 16, 2002
EDSD18801

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

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

Alzheimer Unified School District No. 22 and School 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 Alzheimer Unified School District No. 22. 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 Alzheimer Unified School District No. 22 (the "District"), as of and for the year ended June 30, 2001, and have issued our report thereon dated May 16, 2002. 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, 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 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 finding number 1 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 FINDINGS

Reportable Condition(s)

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

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.

2. The Wabbaseka-Tucker School District was annexed to the District on August 16, 1993. During fiscal year 2001, the District donated the buildings located at the Wabbaseka campus including twelve (12) acres of land with a cost of \$674,623 to the City of Wabbaseka. As of May 16, 2002, the City has not utilized this property. The District also donated one (1) acre of land with a cost of \$3,784, that is located in Altheimer, to Jefferson County. The Pine Bluff-Jefferson County library system built a branch library on the property. Attorney General's Opinion No. 93.057, dated March 9, 1993 states that the sale of school district property without "adequate consideration" might be subject to challenge under the Arkansas Constitution.

We recommend the District's attorney, in coordination with the attorneys for the City of Wabbaseka and Jefferson County, resolve this matter.

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 Altheimer Unified School District No. 22 (the "District") 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, 2001. The District'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 District's management. Our responsibility is to express an opinion on the District'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 District'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 District's compliance with those requirements.

In our opinion, the District 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, 2001.

Internal Control Over Compliance

The management of the District 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 District'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, district 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



William R. Baum, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
May 16, 2002

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22

Exhibit A

JEFFERSON COUNTY, ARKANSAS

COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	Governmental Fund Types				Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
ASSETS								
Cash	\$ 618,028	\$ 111,888	\$ 10,689	\$ 12,771	\$ 7,465			\$ 760,841
Investments	500,000							500,000
Due from other funds		1,303		15,980				17,283
Land						\$ 128,216		128,216
Buildings						3,030,200		3,030,200
Improvements other than buildings						154,362		154,362
Equipment						1,696,025		1,696,025
Amount available in debt service funds							\$ 10,689	10,689
Amount to be provided for retirement of general long-term debt							1,197,055	1,197,055
TOTAL ASSETS	\$ 1,118,028	\$ 113,191	\$ 10,689	\$ 28,751	\$ 7,465	\$ 5,008,803	\$ 1,207,744	\$ 7,494,671
LIABILITIES AND FUND EQUITY								
Liabilities:								
Accounts payable		\$ 24,168						\$ 24,168
Due student groups					\$ 7,465			7,465
Due to other funds	\$ 17,283							17,283
Bonds payable							\$ 1,145,000	1,145,000
Capital leases							9,733	9,733
Overpayment of state funds payable							53,011	53,011
Total Liabilities	17,283	24,168			7,465		1,207,744	1,256,660

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22

Exhibit A

JEFFERSON COUNTY, ARKANSAS

COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS

JUNE 30, 2001

	Governmental Fund Types				Fiduciary	Account Groups		Totals
	General	Special	Debt	Capital	Trust and	General	General Long-	(Memorandum
		Revenue	Service	Projects	Agency	Fixed Assets	Term Debt	Only)
LIABILITIES AND FUND EQUITY (Continued)								
Fund Equity:								
Investment in general								
fixed assets						\$ 5,008,803		\$ 5,008,803
Fund balances:								
Unreserved:								
Designated:								
Debt service			\$ 10,689					10,689
Undesignated	\$ 1,100,745	\$ 89,023		\$ 28,751				1,218,519
Total Fund Equity	<u>1,100,745</u>	<u>89,023</u>	<u>10,689</u>	<u>28,751</u>		<u>5,008,803</u>		<u>6,238,011</u>
TOTAL LIABILITIES AND								
FUND EQUITY	<u>\$ 1,118,028</u>	<u>\$ 113,191</u>	<u>\$ 10,689</u>	<u>\$ 28,751</u>	<u>\$ 7,465</u>	<u>\$ 5,008,803</u>	<u>\$ 1,207,744</u>	<u>\$ 7,494,671</u>

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

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 2001

Exhibit B

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
REVENUES					
Property taxes	\$ 993,307			\$ 64,792	\$ 1,058,099
State assistance	2,101,253	\$ 2,985	\$ 21,401		2,125,639
Federal assistance		658,335			658,335
Activity revenues	47,438				47,438
Meal sales		23,610			23,610
Interest on investments	38,270			132	38,402
Other revenues	40,020	6,255			46,275
TOTAL REVENUES	3,220,288	691,185	21,401	64,924	3,997,798
EXPENDITURES					
Regular programs	1,412,079	19,599			1,431,678
Special education	201,446	66,177			267,623
Workforce education	148,464	22,931			171,395
Compensatory education		281,506			281,506
Other instructional programs	8,774	9,075			17,849
Support services	1,303,252	382,089		42,178	1,727,519
Non-programmed costs	2,490				2,490
Activity expenditures	56,880				56,880
Capital outlay				4,350	4,350
Debt service:					
Principal retirement	1,368		75,000		76,368
Interest and fiscal charges	702		59,213		59,915
TOTAL EXPENDITURES	3,135,455	781,377	134,213	46,528	4,097,573
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	84,833	(90,192)	(112,812)	18,396	(99,775)

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
 JEFFERSON COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

Exhibit B

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
OTHER FINANCING SOURCES (USES)					
Transfers in			\$ 111,457	\$ 4,983	\$ 116,440
Transfers out	\$ (116,440)				(116,440)
Compensation for loss on general fixed assets	66,116				66,116
Value of capital lease	11,101				11,101
TOTAL OTHER FINANCING SOURCES (USES)	(39,223)		111,457	4,983	77,217
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	45,610	\$ (90,192)	(1,355)	23,379	(22,558)
FUND BALANCES - JULY 1	1,055,135	179,215	12,044	5,372	1,251,766
FUND BALANCES - JUNE 30	\$ 1,100,745	\$ 89,023	\$ 10,689	\$ 28,751	\$ 1,229,208

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

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
 JEFFERSON COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

Exhibit C

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 1,122,501	\$ 1,058,099	\$ (64,402)
State assistance	2,020,356	2,125,639	105,283
Federal assistance	655,936	658,335	2,399
Activity revenues		47,438	47,438
Meal sales		23,610	23,610
Interest on investments	26,000	38,402	12,402
Other revenues	300	46,275	45,975
	3,825,093	3,997,798	172,705
EXPENDITURES			
Regular programs	1,421,938	1,431,678	(9,740)
Special education	225,195	267,623	(42,428)
Workforce education	170,627	171,395	(768)
Compensatory education	281,487	281,506	(19)
Other instructional programs	64,840	17,849	46,991
Support services	1,477,468	1,727,519	(250,051)
Non-programmed costs	17,693	2,490	15,203
Activity expenditures		56,880	(56,880)
Capital outlay		4,350	(4,350)
Debt service:			
Principal retirement	75,000	76,368	(1,368)
Interest and fiscal charges	59,260	59,915	(655)
	3,793,508	4,097,573	(304,065)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	31,585	(99,775)	(131,360)
OTHER FINANCING SOURCES (USES)			
Transfers in		116,440	116,440
Transfers out		(116,440)	(116,440)
Compensation for loss on general fixed assets		66,116	66,116
Value of capital lease		11,101	11,101
		77,217	77,217
TOTAL OTHER FINANCING SOURCES (USES)		77,217	77,217

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
 JEFFERSON COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

Exhibit C

	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 31,585	\$ (22,558)	\$ (54,143)
FUND BALANCES - JULY 1	1,220,166	1,251,766	31,600
FUND BALANCES - JUNE 30	\$ 1,251,751	\$ 1,229,208	\$ (22,543)

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

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Education, a seven (7) 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 Altheimer Unified 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.

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.

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

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. Investments

Investments consist of certificates of deposits classified as nonparticipating contracts and are reported at cost.

G. Inventories

Inventories are considered expenditures when purchased.

H. Interfund Receivables and Payables

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

I. Liability for Compensated Absences

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

J. Fund Equity

Fund Balance -

1. Designated fund balance - represents that portion of fund equity which indicates tentative plans for financial resource utilization in a future period.

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

K. 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 school districts employ the cash basis method.

L. 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.

NOTE 2: 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 and food service funds and certain transfers among funds. However, the District does not budget these activities.

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 3: 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)	\$ 100,000	\$ 100,000
Uninsured, collateralized	660,841	993,665
Total Deposits	\$ 760,841	\$ 1,093,665

NOTE 4: Public Fund Investments

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

Type of Investment	Category			Carrying Amount	Market Value
	1	2	3		
Certificate of deposit	\$ 500,000	\$ 0	\$ 0	\$ 500,000	\$ 500,000

NOTE 5: Changes in General Fixed Assets

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	\$ 139,500		\$ 11,284	\$ 128,216
Buildings	3,697,323		667,123	3,030,200
Improvements other than buildings	150,012	\$ 4,350		154,362
Equipment	1,717,944	146,623	168,542	1,696,025
Totals	\$ 5,704,779	\$ 150,973	\$ 846,949	\$ 5,008,803

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

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, 2001	Maturities To June 30, 2001
06/30/88	06/30/04		\$ 171,507.00	\$ 53,011.00	\$ 118,496.00
10/01/93	02/01/13	4.3 to 5.0%	1,574,650	1,145,000	429,650
09/15/00	09/20/05	8.918487%	11,101	9,733	1,368
Totals			<u>\$ 1,757,258</u>	<u>\$ 1,207,744</u>	<u>\$ 549,514</u>

NOTE 7: Changes in Long-term Debt

	Balance July 1, 2000	Issued	Retired	Balance June 30, 2001
Bonds payable	\$ 1,220,000		\$ 75,000	\$ 1,145,000
Capital leases		\$ 11,101	1,368	9,733
Overpayment of state funding	53,011			53,011
Totals	<u>\$ 1,273,011</u>	<u>\$ 11,101</u>	<u>\$ 76,368</u>	<u>\$ 1,207,744</u>

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

Year Ended June 30,	Principal	Interest	Total
2002	\$ 94,433	\$ 56,324	\$ 150,757
2003	94,617	52,916	147,533
2004	99,817	49,453	149,270
2005	88,197	45,634	133,831
2006	90,680	41,420	132,100
To Maturity	<u>740,000</u>	<u>155,750</u>	<u>895,750</u>
Totals	<u>\$ 1,207,744</u>	<u>\$ 401,497</u>	<u>\$ 1,609,241</u>

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 8: Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2001
One (1) Mita copier	\$ 11,101
	June 30, 2001
Total Minimum Lease Payments	\$ 11,730
Less: Amount Representing Interest	(1,997)
Total Present Value of Net Minimum Lease Payments	\$ 9,733

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, 2001, 2000 and 1999 were \$181,592, \$181,458 and \$186,697, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2001, 2000 and 1999 were \$15,634, \$20,519 and \$18,262, respectively, equal to the required contributions for each year.

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 9: Retirement Plans (Continued)

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, 2001, 2000 and 1999 were \$3,858, \$3,195 and \$3,765, respectively, equal to the required contributions for each year.

NOTE 10: Overpayment of Minimum Foundation Program Aid

The Altheimer Unified School District No. 22 assumed a debt owed to the Department of Education due to overfunding to the Wabbaseka-Tucker School District and to the Altheimer-Sherrill School District. The overfunding occurred through the Minimum Foundation Program Aid during the Jefferson County real estate property reappraisal. The Department of Education used projected real estate values which were found to be understated until the actual values were available. The overfunding through the year ended June 30, 1985 totaled \$171,507. Ark. Code Ann. 6-20-308 sets forth the method the Department of Education is to use in recovering the overpayments during a year the District has an increase in State Equalization Funding. As of June 30, 2001, the District's liability to the Department of Education was \$53,011.

NOTE 11: Compensation for Loss on General Fixed Assets

The District received insurance proceeds of \$66,116 to make repairs to various buildings throughout the District, due to winter storm damage in December 2000.

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

Schedule 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	3501	\$ 41,724
National School Lunch Program	10.555	3501	<u>150,262</u>
Total State Department of Education			<u>191,986</u>
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	0.501	<u>17,262</u>
TOTAL CHILD NUTRITION CLUSTER			<u>209,248</u>
OTHER PROGRAMS			
<u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	3501	318,156
Special Education - Grants to States	84.027	3501	62,798
Vocational Education - Basic Grants to States	84.048	3501	22,931
Safe and Drug-Free Schools and Communities - State Grants	84.186	3501	9,075
Eisenhower Professional Development State Grants	84.281	3501	624
Innovative Education Program Strategies	84.298	3501	4,278
Class Size Reduction	84.340	3501	54,603
Goals 2000 - State and Local Educational Improvement Grants	84.276	3501	<u>16,684</u>
TOTAL OTHER PROGRAMS			<u>489,149</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 698,397</u></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 Altheimer Unified School District No. 22 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 of 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: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
 JEFFERSON COUNTY, ARKANSAS
 FEDERAL AWARD PROGRAMS -
 FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2001

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

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified? yes no
- Reportable condition(s) identified that are not considered to be material weakness(es)? yes 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 no

Identification of major programs:

CFDA Numbers	Name of Federal Programs or Cluster
10.553/10.555	Child Nutrition Cluster
84.010	Title I Grants - LEA

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

Auditee qualified as low-risk auditee? yes no

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2001

Schedule 2

SECTION II - FINANCIAL STATEMENT FINDINGS

2001-1. 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 District's federal programs.

Effect - The District 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.

ALTHEIMER UNIFIED SCHOOL DISTRICT NO. 22
JEFFERSON COUNTY, ARKANSAS
FEDERAL AWARD PROGRAMS -
SUMMARY OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2001

Schedule 3

There were no findings in the prior audit.