

**Witts Springs School District No. 1**

**Searcy County, Arkansas**

**General Purpose Financial Statements  
and Other Reports**

**June 30, 2001**

LEGISLATIVE JOINT AUDITING COMMITTEE

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SEARCY COUNTY, ARKANSAS  
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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

Witts Springs School District No. 1 and School Board Members  
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Witts Springs School District No. 1 (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 July 29, 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.

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  
July 29, 2002  
EDSD34101

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

Witts Springs School District No. 1 and School Board Members  
Legislative Joint Auditing Committee

We have audited the general purpose financial statements of the Witts Springs School District No. 1 (the "District") as of and for the year ended June 30, 2001, and have issued our report thereon dated July 29, 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, 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.

## AUDIT FINDINGS

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  
July 29, 2002

WITTS SPRINGS SCHOOL DISTRICT NO. 1

Exhibit A

SEARCY 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	Fund Types	General Fixed Assets	General Long- Term Debt	(Memorandum Only)
			Trust and Agency			
ASSETS						
Cash	\$ 37,441	\$ 14,729	\$ 3,900			\$ 56,070
Accounts receivable		6,000				6,000
Land				\$ 2,505		2,505
Buildings				246,461		246,461
Equipment				274,913		274,913
Amount to be provided for retirement of general long-term debt					\$ 20,788	20,788
<b>TOTAL ASSETS</b>	<b>\$ 37,441</b>	<b>\$ 20,729</b>	<b>\$ 3,900</b>	<b>\$ 523,879</b>	<b>\$ 20,788</b>	<b>\$ 606,737</b>
LIABILITIES AND FUND EQUITY						
Liabilities:						
Accounts payable	\$ 4,865					\$ 4,865
Due student groups			\$ 3,900			3,900
Certificates of indebtedness					\$ 6,405	6,405
Capital leases					14,383	14,383
<b>Total Liabilities</b>	<b>4,865</b>		<b>3,900</b>		<b>20,788</b>	<b>29,553</b>
Fund Equity:						
Investment in general fixed assets				\$ 523,879		523,879
Fund balances:						
Unreserved:						
Undesignated	32,576	\$ 20,729				53,305
<b>Total Fund Equity</b>	<b>32,576</b>	<b>20,729</b>		<b>523,879</b>		<b>577,184</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 37,441</b>	<b>\$ 20,729</b>	<b>\$ 3,900</b>	<b>\$ 523,879</b>	<b>\$ 20,788</b>	<b>\$ 606,737</b>

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

WITTS SPRINGS SCHOOL DISTRICT NO. 1  
SEARCY 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	Totals (Memorandum Only)
<b>REVENUES</b>			
Property taxes	\$ 112,240		\$ 112,240
State assistance	455,100	\$ 420	455,520
Federal assistance	29,990	119,010	149,000
Activity revenues	14,042		14,042
Meal sales		5,890	5,890
Interest on investments	2,587		2,587
Other revenues	12,207		12,207
<b>TOTAL REVENUES</b>	<b>626,166</b>	<b>125,320</b>	<b>751,486</b>
<b>EXPENDITURES</b>			
Regular programs	277,647	9,277	286,924
Special education	28,673	6,614	35,287
Workforce education	49,159		49,159
Compensatory education		49,136	49,136
Other instructional programs	7,995	14,824	22,819
Support services	245,287	39,549	284,836
Non-programmed costs	4,621	4,698	9,319
Activity expenditures	15,126		15,126
Debt service:			
Principal retirement	6,405		6,405
Interest and fiscal charges	672		672
<b>TOTAL EXPENDITURES</b>	<b>635,585</b>	<b>124,098</b>	<b>759,683</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(9,419)</b>	<b>1,222</b>	<b>(8,197)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		9,000	9,000
Transfers out	(9,000)		(9,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(9,000)</b>	<b>9,000</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(18,419)</b>	<b>10,222</b>	<b>(8,197)</b>
<b>FUND BALANCES - JULY 1</b>	<b>50,995</b>	<b>10,507</b>	<b>61,502</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 32,576</b>	<b>\$ 20,729</b>	<b>\$ 53,305</b>

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

## WITTS SPRINGS SCHOOL DISTRICT NO. 1

Exhibit C

## SEARCY 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

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Property taxes	\$ 112,043	\$ 112,240	\$ 197
State assistance	430,963	455,520	24,557
Federal assistance	132,624	149,000	16,376
Activity revenues		14,042	14,042
Meal sales	5,595	5,890	295
Interest on investments	2,500	2,587	87
Other revenues		12,207	12,207
<b>TOTAL REVENUES</b>	<b>683,725</b>	<b>751,486</b>	<b>67,761</b>
<b>EXPENDITURES</b>			
Regular programs	292,543	286,924	5,619
Special education	37,806	35,287	2,519
Workforce education	51,840	49,159	2,681
Compensatory education	52,884	49,136	3,748
Other instructional programs	8,266	22,819	(14,553)
Support services	290,451	284,836	5,615
Community services	1,574		1,574
Non-programmed costs	9,319	9,319	
Activity expenditures		15,126	(15,126)
Debt service:			
Principal retirement	6,405	6,405	
Interest and fiscal charges	673	672	1
<b>TOTAL EXPENDITURES</b>	<b>751,761</b>	<b>759,683</b>	<b>(7,922)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(68,036)</b>	<b>(8,197)</b>	<b>59,839</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	395,869	9,000	(386,869)
Transfers out	(395,869)	(9,000)	386,869
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(68,036)</b>	<b>(8,197)</b>	<b>59,839</b>
<b>FUND BALANCES - JULY 1</b>	<b>54,242</b>	<b>61,502</b>	<b>7,260</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ (13,794)</b>	<b>\$ 53,305</b>	<b>\$ 67,099</b>

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



WITTS SPRINGS SCHOOL DISTRICT NO. 1  
SEARCY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

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 Witts Springs 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.

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 are 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.

WITTS SPRINGS SCHOOL DISTRICT NO. 1  
SEARCY 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. Inventories

Inventories are considered expenditures when purchased.

G. Liability for Compensated Absences

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

H. Fund Equity

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

I. 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.

J. 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 funds which are not budgeted by the District.

WITTS SPRINGS SCHOOL DISTRICT NO. 1  
SEARCY 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)	\$ 56,070	\$ 100,000
Uninsured, Collateralized		12,632
Total Deposits	\$ 56,070	\$ 112,632

NOTE 4: Changes in General Fixed Assets

	Balance July 1, 2000	Additions	Deletions	Reclassi- fications	Balance June 30, 2001
Land	\$ 2,505				\$ 2,505
Buildings	246,461				246,461
Equipment	248,695	\$ 26,218			274,913
Totals	\$ 497,661	\$ 26,218	\$ 0	\$ 0	\$ 523,879

NOTE 5: 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
1/8/1996	11-1-2001	7.00%	\$ 38,437	\$ 6,405	\$ 32,032
4/9/2001	4-9-2011	7.00%	14,383	14,383	
Totals			\$ 52,820	\$ 20,788	\$ 32,032

NOTE 6: Changes in Long-term Debt

	Balance July 1, 2000	Issued	Retired	Balance June 30, 2001
Certificates of indebtedness	\$ 12,810		\$ 6,405	\$ 6,405
Capital leases		\$ 14,383		14,383
Totals	\$ 12,810	\$ 14,383	\$ 6,405	\$ 20,788

WITTS SPRINGS SCHOOL DISTRICT NO. 1  
SEARCY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 6: Changes in Long-term Debt (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2002	\$ 7,440	\$ 1,213	\$ 8,653
2003	1,109	915	2,024
2004	1,188	836	2,024
2005	1,272	752	2,024
2006	1,363	661	2,024
To Maturity	<u>8,416</u>	<u>1,704</u>	<u>10,120</u>
Totals	<u>\$ 20,788</u>	<u>\$ 6,081</u>	<u>\$ 26,869</u>

NOTE 7: Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2001
Energy conservation measures	<u>\$ 14,383</u>
	<u>June 30, 2001</u>
Total Minimum Lease Payments	\$ 20,240
Less: Amount Representing Interest	<u>5,857</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 14,383</u>

NOTE 8: Retirement Plans

Arkansas Teacher Retirement System

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

WITTS SPRINGS SCHOOL DISTRICT NO. 1  
SEARCY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 8: Retirement Plans (Continued)

Arkansas Teacher Retirement System (Continued)

Funding Policy. ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2001, 2000 and 1999 were \$49,338, \$49,419 and \$47,498, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2001, 2000 and 1999 were \$4,261, \$4,024 and \$2,558, 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, 2001, 2000 and 1999 were \$631, \$631 and \$762, respectively, equal to the required contributions for each year.

NOTE 9: Subsequent Events

During the early A. M. hours of July 2, 2001, a fire destroyed the gymnasium and the elementary school buildings of the Witts Springs School District. The investigation by local county authorities determined that these fires were caused by arson. The investigation was extended to include the Bureau of Alcohol, Tobacco and Firearms (the ATF), Department of Treasury, that is in the ongoing process for the apprehension of the individual(s) responsible for this crime. The ATF obtained a box of assorted financial records from the District on July 5, 2001 which were in a fireproof safe. We obtained copies of these records to perform the audit for the year ending June 30, 2001. On February 21, 2002, the District accepted the bid of \$606,000 by the TNT Construction Company to construct a building that will house the elementary school and gymnasium. The building will be completed for the 2002-2003 school year.