

Rural Special School District No. 2

Stone County, Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE



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STONE COUNTY, ARKANSAS
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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

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

We have audited the accompanying general purpose financial statements of the Rural Special School District No. 2 (the "District"), as of and for the year ended June 30, 2000, 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, 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 May 2, 2001 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 a supporting schedule in the table of contents 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 2, 2001
EDSD36700

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

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

We have audited the general purpose financial statements of the Rural Special School District No. 2 (the "District") as of and for the year ended June 30, 2000, and have issued our report thereon dated May 2, 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 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 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
May 2, 2001

RURAL SPECIAL SCHOOL DISTRICT NO. 2
 STONE COUNTY, ARKANSAS
 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	\$ 364,904	\$ 20,797	\$ 9,512			\$ 395,213
Investments	106,782		22,950			129,732
Accounts receivable		1,522				1,522
Land				\$ 7,308		7,308
Buildings				1,093,909		1,093,909
Improvements other than buildings				9,500		9,500
Equipment				452,935		452,935
Amount to be provided for retirement of general long-term debt					\$ 499,365	499,365
TOTAL ASSETS	\$ 471,686	\$ 22,319	\$ 32,462	\$ 1,563,652	\$ 499,365	\$ 2,589,484
LIABILITIES AND FUND EQUITY						
Liabilities:						
Due student groups			\$ 9,512			\$ 9,512
Bonds payable					\$ 460,000	460,000
Postdated warrants					39,365	39,365
Total Liabilities			9,512		499,365	508,877
Fund Equity:						
Investment in general fixed assets				\$ 1,563,652		1,563,652
Fund balances:						
Reserved for scholarship			22,950			22,950
Unreserved:						
Undesignated	\$ 471,686	\$ 22,319				494,005
Total Fund Equity	471,686	22,319	22,950	1,563,652		2,080,607
TOTAL LIABILITIES AND FUND EQUITY	\$ 471,686	\$ 22,319	\$ 32,462	\$ 1,563,652	\$ 499,365	\$ 2,589,484

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

RURAL SPECIAL SCHOOL DISTRICT NO. 2
 STONE COUNTY, ARKANSAS
 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	Debt Service	Totals (Memorandum Only)
REVENUES				
Current taxes	\$ 199,223			\$ 199,223
Delinquent taxes and land redemption	16,784			16,784
State assistance	1,067,895	\$ 1,165		1,069,060
Federal assistance		159,517		159,517
Activity revenues	42,696			42,696
Meal sales		21,603		21,603
Interest on investments	16,937			16,937
Other revenues	1,907	9,139		11,046
TOTAL REVENUES	1,345,442	191,424		1,536,866
EXPENDITURES				
Regular programs	508,686	10,754		519,440
Special education	63,853	12,426		76,279
Vocational education	123,427			123,427
Compensatory education	1,292	61,237		62,529
Other instructional programs	43,019	1,157		44,176
Non-program charges	26,888	7,478		34,366
Activity expenditures	33,382			33,382
Debt service:				
Principal retirement	5,455		\$ 35,000	40,455
Interest and fiscal charges	2,375		24,343	26,718
TOTAL EXPENDITURES	1,305,292	180,047	59,343	1,544,682
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	40,150	11,377	(59,343)	(7,816)
OTHER FINANCING SOURCES (USES)				
Transfers in		541	59,343	59,884
Transfers out	(59,884)			(59,884)
Compensated loss of fixed assets	854			854
Value of donated equipment	1,928			1,928
TOTAL OTHER FINANCING SOURCES (USES)	(57,102)	541	59,343	2,782
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(16,952)	11,918		(5,034)
FUND BALANCES - JULY 1	488,638	10,401		499,039
FUND BALANCES - JUNE 30	\$ 471,686	\$ 22,319	\$ 0	\$ 494,005

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

RURAL SPECIAL SCHOOL DISTRICT NO. 2
STONE COUNTY, ARKANSAS
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			
Current taxes	\$ 180,000	\$ 199,223	\$ 19,223
Delinquent taxes and land redemption	14,500	16,784	2,284
State assistance	1,035,295	1,069,060	33,765
Federal assistance	98,078	159,517	61,439
Activity revenues		42,696	42,696
Meal sales		21,603	21,603
Interest on investments	16,500	16,937	437
Other revenues	2,000	11,046	9,046
TOTAL REVENUES	1,346,373	1,536,866	190,493
EXPENDITURES			
Regular programs	481,547	519,440	(37,893)
Special education	77,019	76,279	740
Vocational education	107,811	123,427	(15,616)
Compensatory education	62,250	62,529	(279)
Other instructional programs	33,751	44,176	(10,425)
Support services	463,005	583,910	(120,905)
Community services	100		100
Non-program charges	11,300	34,366	(23,066)
Activity expenditures		33,382	(33,382)
Debt service:			
Principal retirement	40,180	40,455	(275)
Interest and fiscal charges	26,973	26,718	255
TOTAL EXPENDITURES	1,303,936	1,544,682	(240,746)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	42,437	(7,816)	(50,253)
OTHER FINANCING SOURCES (USES)			
Transfers in		59,884	59,884
Transfers out		(59,884)	(59,884)
Compensated loss of fixed assets		854	854
Value of donated equipment		1,928	1,928
TOTAL OTHER FINANCING SOURCES (USES)		2,782	2,782
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	42,437	(5,034)	(47,471)
FUND BALANCES - JULY 1	492,282	499,039	6,757
FUND BALANCES - JUNE 30	\$ 534,719	\$ 494,005	\$ (40,714)

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

RURAL SPECIAL SCHOOL DISTRICT NO. 2
 STONE COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -
 FIDUCIARY FUND TYPES - NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

Exhibit D

	Totals (Memorandum Only)
OPERATING REVENUES	
Interest	\$ 1,164
OPERATING EXPENSES	
Scholarship awards	<u>1,000</u>
NET INCOME (LOSS)	164
FUND BALANCE, JULY 1	<u>22,786</u>
FUND BALANCE, JUNE 30	<u><u>\$ 22,950</u></u>

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

RURAL SPECIAL SCHOOL DISTRICT NO. 2
 STONE COUNTY, ARKANSAS
 STATEMENT OF CASH FLOWS - FIDUCIARY FUND TYPES - NONEXPENDABLE TRUST FUND
 FOR THE YEAR ENDED JUNE 30, 2000

Exhibit E

	Totals (Memorandum Only)
Cash flows from operating activities:	
Scholarships	\$ (1,000)
Cash flows from investing activities:	
Proceeds from maturing investments	22,786
Purchase of investments	(22,950)
Interest on investments	1,164
	1,000
Net cash provided (used) by investing activities	0
Net increase (decrease) in cash	0
CASH - JULY 1	0
CASH - JUNE 30	\$ 0

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

RURAL SPECIAL SCHOOL DISTRICT NO. 2
STONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

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 Rural Special School District (District). The District is a member of the Northcentral Arkansas Educational Cooperative located in Melbourne, Arkansas.

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 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.

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.

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. These include Nonexpendable Trust Funds and Agency 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.

RURAL SPECIAL SCHOOL DISTRICT NO. 2
STONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 and agency 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. The accrual basis of accounting is followed in all nonexpendable trust funds. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

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 District. No depreciation has been provided on general fixed assets.

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. No accrual or recognition of taxes receivable is reflected in the financial statements as the amount measurable and available is considered to be immaterial.

F. Investments

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

G. Inventories

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

H. 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 district personnel eligible for compensated absences indicates an immaterial obligation on the part of the District.

RURAL SPECIAL SCHOOL DISTRICT NO. 2
STONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Fund Equity

Fund Balance -

1. Reserved Fund Balance represents that a portion of the fund balance is not appropriable for expenditure or is legally segregated for a specific future use.
2. Undesignated Fund Balance indicates that portion of fund equity not reserved or designated.

J. Budget and Budgetary Accounting

The District 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 District also is required to budget certain portions of local taxes, which are collected in the succeeding fiscal year. This procedure, while not in accordance with generally accepted accounting principles, does not have a material effect on the financial statements taken as a whole.

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 District is required to submit a proposed budget for the upcoming year.
2. Upon approval by the State Department of Education, the District adopts the budget and integrates it into their accounting and reporting system as a management control device.
3. The District 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.
5. The District is not required to budget the revenues and expenditures of the food services funds and the activity funds. Certain transfers among funds are also not budgeted.

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 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

Exhibit C includes revenues and expenditures of the activity and food services funds and certain transfers among funds. However, the District does not budget these activities.

RURAL SPECIAL SCHOOL DISTRICT NO. 2
 STONE COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2000

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/FSLIC)	\$ 100,000	\$ 100,000
Uninsured, Collateralized	295,213	370,725
Total Deposits	\$ 395,213	\$ 470,725

NOTE 5: 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		
Certificates of deposit	\$ 129,732	\$ 0	\$ 0	\$ 129,732	\$ 129,732

NOTE 6: 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	\$ 7,308			\$ 7,308
Buildings	1,093,909			1,093,909
Improvements other than buildings		\$ 9,500		9,500
Equipment	543,286	36,048	\$ 126,399	452,935
Totals	\$ 1,644,503	\$ 45,548	\$ 126,399	\$ 1,563,652

RURAL SPECIAL SCHOOL DISTRICT NO. 2
 STONE COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2000

NOTE 7: Long-term Debt Issued and Outstanding

Long-term liabilities are payable out of future income of the District. In order to liquidate the principal and interest on the bonded debt, the District has pledged 23.00 mills of the total 31.30 mill tax levy of the District. 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, 2000	Maturities To June 30, 2000
5/1/96	2/10/10	4.15 to 5.00%	\$ 580,925	\$ 460,000	\$ 120,925
3/16/98	3/17/06	5.50%	50,000	39,365	10,635
Totals			<u>\$ 630,925</u>	<u>\$ 499,365</u>	<u>\$ 131,560</u>

NOTE 8: Changes in Long-term Debt

The changes in long-term debt are as follows:

	Balance July 1, 1999	Issued	Retired	Balance June 30, 2000
Bonds payable	\$ 495,000		\$ 35,000	\$ 460,000
Postdated warrants	44,820		5,455	39,365
Totals	<u>\$ 539,820</u>	<u>\$ 0</u>	<u>\$ 40,455</u>	<u>\$ 499,365</u>

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

Year Ended June 30,	Principal	Interest	Total
2001	\$ 40,744	\$ 24,434	\$ 65,178
2002	46,048	22,537	68,585
2003	46,369	20,376	66,745
2004	51,706	18,159	69,865
2005	47,062	15,666	62,728
To Maturity	<u>267,436</u>	<u>41,122</u>	<u>308,558</u>
Totals	<u>\$ 499,365</u>	<u>\$ 142,294</u>	<u>\$ 641,659</u>

RURAL SPECIAL SCHOOL DISTRICT NO. 2
STONE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2000

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 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%. Effective July 1, 1996, the District paid the employer contribution rate for any eligible employee in accordance with rules and regulations established by the Teacher Retirement Board of Directors. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2000, 1999 and 1998 were \$96,799, \$87,064 and \$83,507, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2000, 1999 and 1998 were \$6,870, \$5,673 and \$5,418, 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 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 statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2000, 1999 and 1998 were \$1,606, \$1,504 and \$2,100, respectively, equal to the required contributions for each year.

NOTE 10: Cash Equivalents

For purposes of the statement of cash flows for nonexpendable trust funds, all highly liquid investments (including restricted assets) with a maturity of three (3) months or less when purchased are considered to be cash equivalents.

NOTE 11: Trust Fund

Elsie Morris Compton Scholarship Fund – A \$25,000 scholarship fund was established on March 20, 1995 with an initial payment of \$5,000. The balance of the funding was a pledge of \$20,000, paid in four (4) annual installments, 1995 through 1998. The funds are invested in a certificate of deposit and the earnings are used to fund college scholarships to deserving graduates in a minimum amount of \$1,000 annually.

RURAL SPECIAL SCHOOL DISTRICT NO. 2
 STONE COUNTY, ARKANSAS
 EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2000

Schedule 1

Federal Grantor/Pass Through Grantor/Program Cluster Title	Federal CFDA Number	Federal Expenditures
CHILD NUTRITION CLUSTER		
<u>U. S. Department of Agriculture</u>		
Passed Through State Department of Education:		
School Breakfast Program	10.553	\$ 16,452
National School Lunch Program	10.555	43,902
Total State Department of Education		60,354
Passed Through State Department of Human Services:		
National School Lunch Program (Note 2)	10.555	5,931
TOTAL CHILD NUTRITION CLUSTER		66,285
 OTHER PROGRAMS		
<u>U. S. Department of Education</u>		
Passed Through State Department of Education:		
Title I Grants - LEA	84.010	61,238
Special Education - Grant to States	84.027	17,623
Class Size Reduction	84.340	8,886
Innovative Education Program Strategies	84.298	1,868
TOTAL OTHER PROGRAMS		89,615
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 155,900

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 Rural Special School District No. 2 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.