

# **Cotton Plant School District No. 1**

**Woodruff County, Arkansas**

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

LEGISLATIVE JOINT AUDITING COMMITTEE



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WOODRUFF COUNTY, ARKANSAS  
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Sen. Henry "Hank" Wilkins, IV  
Senate Co-Chair  
Rep. Tommy G. Roebuck  
House Co-Chair  
Sen. Randy Laverty  
Senate Co-Vice Chair  
Rep. David Evans  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Cotton Plant School District No. 1 and School Board Members  
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Cotton Plant School District No. 1 (the "District"), as of and for the year ended June 30, 2002, as listed in the table of contents. These financial statements are the responsibility of district management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2003 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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  
June 18, 2003  
EDSD40902

Sen. Henry "Hank" Wilkins, IV  
Senate Co-Chair  
Rep. Tommy G. Roebuck  
House Co-Chair  
Sen. Randy Laverly  
Senate Co-Vice Chair  
Rep. David Evans  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Cotton Plant School District No. 1 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 Cotton Plant School District No. 1. 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 Cotton Plant School District No. 1 (the "District"), as of and for the year ended June 30, 2002, and have issued our report thereon dated June 18, 2003. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, 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 the finding below to be a material weakness. Other matters involving compliance and/or internal control were reported to School District management in a separate letter.

## AUDIT FINDINGS

### Reportable Condition(s)

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

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

### Compliance

We have audited the compliance of the Cotton Plant School District No. 1 (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, 2002. 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, 2002.

### 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

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

William R. Baum, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
June 18, 2003

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS  
JUNE 30, 2002

Exhibit A

	Governmental Fund Types			Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Capital Projects	Trust and Agency	General Fixed Assets	General Long- Term Debt	
<b>ASSETS</b>							
Cash	\$ 92,946	\$ 52,731	\$ 225	\$ 2,218			\$ 148,120
Land					\$ 54,294		54,294
Buildings					982,124		982,124
Improvements other than buildings					2,746		2,746
Equipment					359,086		359,086
Amount to be provided for retirement of general long-term debt						\$ 135,164	135,164
<b>TOTAL ASSETS</b>	<b>\$ 92,946</b>	<b>\$ 52,731</b>	<b>\$ 225</b>	<b>\$ 2,218</b>	<b>\$ 1,398,250</b>	<b>\$ 135,164</b>	<b>\$ 1,681,534</b>
<b>LIABILITIES AND FUND EQUITY</b>							
<b>Liabilities:</b>							
Due student groups				\$ 2,218			\$ 2,218
Short-term loan payable	\$ 100,000						100,000
Certificates of indebtedness						\$ 52,500	52,500
Capital leases						31,467	31,467
Installment contracts						51,197	51,197
<b>Total Liabilities</b>	<b>100,000</b>			<b>2,218</b>		<b>135,164</b>	<b>237,382</b>
<b>Fund Equity:</b>							
Investment in general fixed assets					\$ 1,398,250		1,398,250
<b>Fund balances:</b>							
<b>Unreserved:</b>							
Undesignated	(7,054)	\$ 52,731	\$ 225				45,902
<b>Total Fund Equity</b>	<b>(7,054)</b>	<b>52,731</b>	<b>225</b>		<b>1,398,250</b>		<b>1,444,152</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 92,946</b>	<b>\$ 52,731</b>	<b>\$ 225</b>	<b>\$ 2,218</b>	<b>\$ 1,398,250</b>	<b>\$ 135,164</b>	<b>\$ 1,681,534</b>

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

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002

Exhibit B

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
REVENUES				
Property taxes	\$ 279,382		\$ 5,224	\$ 284,606
State assistance	1,096,889	\$ 1,200		1,098,089
Federal assistance	673	562,833		563,506
Activity revenues	21,185			21,185
Meal sales		3,821		3,821
Interest on investments	5,407			5,407
Other revenues	12,211	7,534		19,745
<b>TOTAL REVENUES</b>	<b>1,415,747</b>	<b>575,388</b>	<b>5,224</b>	<b>1,996,359</b>
EXPENDITURES				
Regular programs	668,997	38,662		707,659
Special education	79,709	34,211		113,920
Workforce education	136,111	4,236		140,347
Compensatory education		107,273		107,273
Other instructional programs	19,516			19,516
Support services	631,274	280,632		911,906
Community services		83,538		83,538
Non-programmed costs		3,379		3,379
Activity expenditures	21,947			21,947
Debt service:				
Principal retirement	11,069		10,614	21,683
Interest and fiscal charges	4,784		2,960	7,744
<b>TOTAL EXPENDITURES</b>	<b>1,573,407</b>	<b>551,931</b>	<b>13,574</b>	<b>2,138,912</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(157,660)</b>	<b>23,457</b>	<b>(8,350)</b>	<b>(142,553)</b>



COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2002

Exhibit B

	General	Special Revenue	Capital Projects	Totals (Memorandum Only)
OTHER FINANCING SOURCES (USES)				
Transfers in		\$ 2,885		\$ 2,885
Transfers out	\$ (2,885)			(2,885)
Value of installment contract	12,933			12,933
Value of capital lease	34,721			34,721
 TOTAL OTHER FINANCING SOURCES (USES)	 44,769	 2,885		 47,654
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 (112,891)	 26,342	 \$ (8,350)	 (94,899)
 FUND BALANCES - JULY 1	 105,837	 26,389	 8,575	 140,801
 FUND BALANCES - JUNE 30	 \$ (7,054)	 \$ 52,731	 \$ 225	 \$ 45,902

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

## COTTON PLANT SCHOOL DISTRICT NO. 1

Exhibit C

## WOODRUFF COUNTY, ARKANSAS

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

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 328,000	\$ 284,606	\$ (43,394)
State assistance	1,099,225	1,098,089	(1,136)
Federal assistance	417,597	563,506	145,909
Activity revenues		21,185	21,185
Meal sales	5,000	3,821	(1,179)
Interest on investments	9,000	5,407	(3,593)
Other revenues	25,521	19,745	(5,776)
<b>TOTAL REVENUES</b>	<b>1,884,343</b>	<b>1,996,359</b>	<b>112,016</b>
EXPENDITURES			
Regular programs	679,212	707,659	(28,447)
Special education	121,830	113,920	7,910
Workforce education	141,399	140,347	1,052
Compensatory education	141,382	107,273	34,109
Other instructional programs	7,322	19,516	(12,194)
Support services	808,936	911,906	(102,970)
Community services	97,355	83,538	13,817
Non-programmed costs	3,941	3,379	562
Activity expenditures	409	21,947	(21,538)
Debt service:			
Principal retirement	87,226	21,683	65,543
Interest and fiscal charges	7,479	7,744	(265)
<b>TOTAL EXPENDITURES</b>	<b>2,096,491</b>	<b>2,138,912</b>	<b>(42,421)</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(212,148)	(142,553)	69,595
OTHER FINANCING SOURCES (USES)			
Transfers in	3,650	2,885	(765)
Transfers out		(2,885)	(2,885)
Proceeds of short-term bank loan	70,000		(70,000)
Value of installment contract		12,933	12,933
Value of capital lease		34,721	34,721
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>73,650</b>	<b>47,654</b>	<b>(25,996)</b>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(138,498)	(94,899)	43,599
FUND BALANCES - JULY 1	140,593	140,801	208
FUND BALANCES - JUNE 30	\$ 2,095	\$ 45,902	\$ 43,807

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

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Education, a five (5) member group, is the level of government which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Cotton Plant 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.

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.

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. General Fixed Assets

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

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 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.

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 2: Commitments

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

Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Elementary School Renovations	September 30, 2002	<u>\$ 49,611</u>

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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 141,471	\$ 141,471
Uninsured, Collateralized	<u>6,599</u>	<u>209,960</u>
Total Deposits	<u>\$ 148,070</u>	<u>\$ 351,431</u>

The above total deposits do not include cash on hand in the amount of \$50.

NOTE 4: Changes in General Fixed Assets

	<u>Balance July 1, 2001</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassi- fications</u>	<u>Balance June 30, 2002</u>
Land	\$ 54,294				\$ 54,294
Buildings	982,124				982,124
Improvements other than buildings	2,746				2,746
Equipment	<u>287,541</u>	<u>\$ 82,578</u>	<u>\$ 11,033</u>		<u>359,086</u>
Totals	<u>\$ 1,326,705</u>	<u>\$ 82,578</u>	<u>\$ 11,033</u>	<u>\$ 0</u>	<u>\$ 1,398,250</u>

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

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, 2002	Maturities To June 30, 2002
6/25/01	11/1/08	5.85%	\$ 60,000	\$ 52,500	\$ 7,500
3/14/01	3/14/11	7%	42,528	39,468	3,060
12/3/01	12/3/06	2.95%	47,654	43,196	4,458
Totals			<u>\$ 150,182</u>	<u>\$ 135,164</u>	<u>\$ 15,018</u>

NOTE 6: Changes in Long-term Debt

	Balance July 1, 2001	Issued	Retired	Balance June 30, 2002
Certificates of indebtedness	\$ 66,665		\$ 14,165	\$ 52,500
Capital leases		\$ 34,721	3,254	31,467
Installment contracts	42,528	12,933	4,264	51,197
Totals	<u>\$ 109,193</u>	<u>\$ 47,654</u>	<u>\$ 21,683</u>	<u>\$ 135,164</u>

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

Year Ended June 30,	Principal	Interest	Total
2003	\$ 19,892	\$ 6,768	\$ 26,660
2004	20,396	5,830	26,226
2005	20,925	4,857	25,782
2006	21,480	3,863	25,343
2007	16,902	2,841	19,743
To Maturity	<u>35,569</u>	<u>4,252</u>	<u>39,821</u>
Totals	<u>\$ 135,164</u>	<u>\$ 28,411</u>	<u>\$ 163,575</u>

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 7: Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2002
Copiers	\$ 34,721
	June 30, 2002
Total Minimum Lease Payments	\$ 33,837
Less: Amount Representing Interest	2,370
Total Present Value of Net Minimum Lease Payments	\$ 31,467

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.

**Funding Policy.** ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 12%. The District's contribution to ATRS for nonfederally funded employees for the years ended June 30, 2002, 2001 and 2000 were \$90,897, \$88,636 and \$88,180, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2002, 2001 and 2000 were \$13,635, \$13,308 and \$11,726, respectively, equal to the required contributions for each year.

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 8: 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, 2002, 2001 and 2000 were \$617, \$603 and \$851, respectively, equal to the required contributions for each year.

NOTE 9: Subsequent Events

On March 21, 2003, the District received proceeds of \$125,000 from a short-term bank loan for operating purposes to be repaid before December 31, 2003.

NOTE 10: Short-Term Bank Loans

On August 20, 2001, the District borrowed \$70,000 from a local bank. On November 16, 2001, this loan was repaid with interest of \$1,157.

On April 30, 2002, the District borrowed \$100,000 from a local bank. On November 25, 2002, this loan was repaid with interest of \$3,780.

NOTE 11: Deficit Fund Balance

The District's general fund reflected a deficit fund balance of \$7,054 at June 30, 2002 due to a short-term bank loan obtained for operating purposes. However, the District operated within its legal revenues for the year ended June 30, 2002.



COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	74-02-00	\$ 27,035
National School Lunch Program	10.555	74-02-00	62,496
Total State Department of Education			89,531
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	7402	6,821
TOTAL CHILD NUTRITION CLUSTER			96,352
 <b>OTHER PROGRAMS</b>			
<u>U. S. Department of Labor</u>			
Passed Through Ozarka College:			
Employment Services and Job Training Pilots - Demonstrations and Research	17.249	Unavailable	4,236
 <u>U. S. Department of Education</u>			
Passed Through State Department of Education:			
Title I Grants - Local Educational Agencies	84.010	74-02	159,937
Special Education - Grants to States	84.027	7402	35,961
Innovative Education Program Strategies	84.298	7402	1,863
Technology Literacy Challenge Fund Grants	84.318	TL-5N-05-02	36,798
School Renovation Grants	84.352	7402	113,266
Total U. S. Department of Education			347,825
 <u>Corporation for National and Community Service</u>			
Passed Through State Department of Human Services:			
AmeriCorps	94.006	Unavailable	59,971
TOTAL OTHER PROGRAMS			412,032
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 508,384

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 Cotton Plant School District No. 1 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.

COTTON PLANT SCHOOL DISTRICT NO. 1  
 WOODRUFF COUNTY, ARKANSAS  
 FEDERAL AWARD PROGRAMS -  
 FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2002

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
84.010	Title I Grants - Local Educational Agencies
84.352	School Renovation Grants

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

Auditee qualified as low-risk auditee?  yes  no

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule 2

**SECTION II - FINANCIAL STATEMENT FINDINGS**

REPORTABLE CONDITION

2002-1. 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.

COTTON PLANT SCHOOL DISTRICT NO. 1  
WOODRUFF COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2002

Schedule 3

There were no findings in the prior audit.