

**Southeast Arkansas Education Service Cooperative**

**General Purpose Financial Statements  
and Other Reports**

**June 30, 1999**

LEGISLATIVE JOINT AUDITING COMMITTEE



SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
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JUNE 30, 1999

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# Arkansas

JONATHAN S. "JON" FITCH, SENATOR  
CHAIRMAN

DANNY W. FERGUSON, REPRESENTATIVE  
VICE CHAIRMAN

CHARLES L. ROBINSON, CPA, CFE  
LEGISLATIVE AUDITOR

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Southeast Arkansas Education Service Cooperative and Executive Board Members  
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Southeast Arkansas Education Service Cooperative (the "Cooperative") as of and for the year ended June 30, 1999, as listed in the table of contents. These financial statements are the responsibility of cooperative management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 Cooperative as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated July 13, 2000 on our consideration of the Cooperative's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

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 Cooperative. 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

Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
July 13, 2000  
EDSC01599



# Arkansas

JONATHAN S. "JON" FITCH, SENATOR  
CHAIRMAN

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VICE CHAIRMAN

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

Southeast Arkansas Education Service Cooperative and Executive 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 Southeast Arkansas Education Service Cooperative. 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 Southeast Arkansas Education Service Cooperative (the "Cooperative"), as of and for the year ended June 30, 1999, and have issued our report thereon dated July 13, 2000. 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 Cooperative'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 Cooperative'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 Cooperative'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 matter(s) were reported to cooperative management in a separate letter.

## AUDIT FINDINGS

### Reportable Condition

The Cooperative 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 Southeast Arkansas Education Service Cooperative (the "Cooperative") 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, 1999. The Cooperative'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 cooperative's management. Our responsibility is to express an opinion on the Cooperative'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 Cooperative'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 Cooperative's compliance with those requirements.

In our opinion, the Cooperative 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, 1999.

### Internal Control Over Compliance

The management of the Cooperative 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 Cooperative'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 of the Legislative Joint Auditing Committee, state executive and oversight management, cooperative management, the federal awarding agencies and pass-through entities. 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 13, 2000

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types		Fiduciary	Account Groups		Totals
	General	Special Revenue	Trust and Agency	General	General Long-	(Memorandum Only)
				Fixed Assets	Term Debt	
<b>ASSETS</b>						
Cash	\$ 931,542.21	\$ 197,767.60				\$ 1,129,309.81
Deposits with paying agent	1,448.41					1,448.41
Accounts Receivable	54,395.04	21,321.48	\$ 24,393.14			100,109.66
Land				\$ 7,000.00		7,000.00
Buildings				889,956.92		889,956.92
Equipment				819,599.88		819,599.88
Amount to be provided for retirement of long-term debt					\$ 121,239.39	121,239.39
<b>TOTAL ASSETS</b>	<b>\$ 987,385.66</b>	<b>\$ 219,089.08</b>	<b>\$ 24,393.14</b>	<b>\$ 1,716,556.80</b>	<b>\$ 121,239.39</b>	<b>\$ 3,068,664.07</b>
<b>LIABILITIES AND FUND EQUITY</b>						
Liabilities:						
Overdrafts			\$ 22,095.23			\$ 22,095.23
Accounts payable	\$ 7,353.94	\$ 8,570.74	1,575.40			17,500.08
Due to employee group			722.51			722.51
Notes Payable					\$ 121,239.39	121,239.39
Total Liabilities	<u>7,353.94</u>	<u>8,570.74</u>	<u>24,393.14</u>		<u>121,239.39</u>	<u>161,557.21</u>

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 1999

	Governmental Fund Types		Fiduciary Fund Types	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Trust and Agency	General Fixed Assets	General Long- Term Debt	
	<b>LIABILITIES AND FUND EQUITY (CONTINUED)</b>					
Fund Equity:						
Investment in general fixed assets				\$ 1,716,556.80		\$ 1,716,556.80
Fund balances:						
Unreserved:						
Undesignated	\$ 980,031.72	\$210,518.34				1,190,550.06
Total Fund Equity	<u>980,031.72</u>	<u>210,518.34</u>		<u>1,716,556.80</u>		<u>2,907,106.86</u>
 <b>TOTAL LIABILITIES AND FUND EQUITY</b>	 <u><u>\$ 987,385.66</u></u>	 <u><u>\$219,089.08</u></u>	 <u><u>\$ 24,393.14</u></u>	 <u><u>\$ 1,716,556.80</u></u>	 <u><u>\$ 121,239.39</u></u>	 <u><u>\$ 3,068,664.07</u></u>

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



SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES-GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

Exhibit B

	General	Special Revenue	(Memorandum Only)
<b>REVENUES</b>			
State assistance	\$ 2,442,008.18		\$ 2,442,008.18
Federal assistance		\$ 2,462,089.39	2,462,089.39
Interest on investments	75,825.41		75,825.41
Other revenues	1,122,140.23	75,659.77	1,197,800.00
<b>TOTAL REVENUES</b>	<b>3,639,973.82</b>	<b>2,537,749.16</b>	<b>6,177,722.98</b>
<b>EXPENDITURES</b>			
Regular programs	123,009.49		123,009.49
Special education	606,573.27	313,383.97	919,957.24
Vocational education	43,823.74	463,441.00	507,264.74
Adult education	488,148.18	390,589.83	878,738.01
Compensatory education	601,994.01		601,994.01
Other instructional programs	60,576.40	3,969.36	64,545.76
Support services	1,669,339.42	985,904.93	2,655,244.35
Community services		308,580.15	308,580.15
Debt service:			
Principal retirement	13,512.70		13,512.70
Interest and fiscal charges	3,868.22		3,868.22
<b>TOTAL EXPENDITURES</b>	<b>3,610,845.43</b>	<b>2,465,869.24</b>	<b>6,076,714.67</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>29,128.39</b>	<b>71,879.92</b>	<b>101,008.31</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refund to grantor		(7,162.92)	(7,162.92)
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>29,128.39</b>	<b>64,717.00</b>	<b>93,845.39</b>
<b>FUND BALANCES - JULY 1</b>	<b>950,903.33</b>	<b>145,801.34</b>	<b>1,096,704.67</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 980,031.72</b>	<b>\$ 210,518.34</b>	<b>\$ 1,190,550.06</b>

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

SOUTHEAST ARKANSAS EDUCATION COOPERATIVE  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES-BUDGET AND ACTUAL-GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 1999

Exhibit C

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Current taxes			
Delinquent taxes and land redemption			
State assistance	\$ 2,233,287.00	\$ 2,442,008.18	\$ 208,721.18
Federal assistance	2,039,279.00	2,462,089.39	422,810.39
Interest on investments	60,000.00	75,825.41	15,825.41
Other revenues	1,434,673.00	1,197,800.00	(236,873.00)
 TOTAL REVENUES	5,767,239.00	6,177,722.98	410,483.98
 EXPENDITURES			
Regular programs	48,673.00	123,009.49	(74,336.49)
Special education	850,163.00	919,957.24	(69,794.24)
Vocational education	499,139.00	507,264.74	(8,125.74)
Adult education	683,546.00	878,738.01	(195,192.01)
Compensatory education	560,766.00	601,994.01	(41,228.01)
Other instructional programs	47,940.00	64,545.76	(16,605.76)
Support services	2,893,191.00	2,655,244.35	237,946.65
Community services	342,672.00	308,580.15	34,091.85
Debt service:			
Principal retirement	5,735.00	13,512.70	(7,777.70)
Interest and finance charges	11,645.00	3,868.22	7,776.78
 TOTAL EXPENDITURES	5,943,470.00	6,076,714.67	(133,244.67)
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(176,231.00)	101,008.31	277,239.31
 OTHER FINANCING SOURCES (USES)			
Refund to grantor	(93,519.00)	(7,162.92)	86,356.08
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(269,750.00)	93,845.39	363,595.39
 FUND BALANCES - JULY 1	1,152,860.00	1,096,704.67	(56,155.33)
 FUND BALANCES - JUNE 30	\$ 883,110.00	\$ 1,190,550.06	\$ 307,440.06

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

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Directors, a twenty-one (21) member group, is the level of government which has responsibilities over all activities within the jurisdiction of the Southeast Arkansas Education Service Cooperative (Cooperative). The Cooperative serves Bradley, Drew, Chicot, Ashley, Cleveland, Arkansas, Desha and Lincoln Counties.

The Cooperative's financial statements reflect all funds and accounts directly under the control of the Cooperative. 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, if applicable.

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 - 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.

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 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.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

E. Inventories

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

F. 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 cooperative personnel eligible for compensated absences indicates an immaterial obligation on the part of the Cooperative.

G. Fund Equity

Fund Balance - Undesignated Fund Balance indicates that portion of fund equity which is available for budgeting in future periods.

H. Budget and Budgetary Accounting

The Cooperative 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 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 Cooperative is required to submit a proposed budget for the upcoming year.
2. Upon approval by the State Department of Education, the Cooperative adopts the budget and integrates it into their accounting and reporting system as a management control device.
3. The Cooperative 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.

I. Encumbrances

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

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999

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

On-behalf payments as described at Note 9 are nonbudgeted financial data for the year ended June 30, 1999. Such payments are recorded as actual revenues and expenditures at Exhibit C.

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:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 102,211.41	\$ 104,070.75
Uninsured, Collateralized	1,004,903.17	1,703,853.06
Totals	\$ 1,107,114.58	\$ 1,807,923.81

The above total deposits do not include cash on hand in the amount of \$100.00.

NOTE 5: Changes in General Fixed Assets

A summary of changes in general fixed assets is as follows:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclassi- fications</u>	<u>Balance June 30, 1999</u>
Land	\$ 7,000.00				\$ 7,000.00
Buildings	859,641.92	\$ 18,935.00		\$ 11,380.00	889,956.92
Equipment	684,275.20	139,874.59	\$ 4,549.91		819,599.88
Construction in progress	11,380.00			(11,380.00)	
Totals	\$ 1,562,297.12	\$ 158,809.59	\$ 4,549.91	\$ .00	\$ 1,716,556.80

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 6: Long-term Debt Issued and Outstanding

Long-term liabilities are payable out of future income of the Cooperative. The Cooperative is presently paying on the following long-term debt:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 1999</u>	<u>Maturities To June 30, 1999</u>
05-01-97	04-01-07	3%	\$ 150,000.00	\$ 121,239.39	\$ 28,760.61

NOTE 7: Changes in Long-Term Debt

The changes in long-term debt are as follows:

	<u>Balance July 1, 1998</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 1999</u>
Notes payable	\$ 134,752.09	\$ .00	\$ 13,512.70	\$ 121,239.39

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

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2000	\$ 13,915.56	\$ 3,465.36	\$ 17,380.92
2001	14,349.28	3,031.64	17,380.92
2002	14,786.93	2,593.99	17,380.92
2003	15,237.94	2,142.98	17,380.92
2004	15,698.35	1,682.57	17,380.92
To Maturity	47,251.33	2,105.67	49,357.00
<b>Totals</b>	<b>\$ 121,239.39</b>	<b>\$ 15,022.21</b>	<b>\$ 136,261.60</b>

NOTE 8: Retirement Plan

Arkansas Teacher Retirement System

Plan Description. The Cooperative contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan. 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 1-800-682-1517.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 1999

NOTE 8: Retirement Plan (Continued)

Arkansas Teacher Retirement System (Continued)

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%. The employer contribution was paid by the Department of Education from the Public School Fund, except for those employees paid from federal funding. Employer contributions for those employees were paid by the Cooperative. The employer contribution for nonfederal funded members was the lesser of the result of multiplying the applicable percent of active member payroll for the fiscal year by the total covered salaries of the previous fiscal year, including any prior year reported salaries, or the amount appropriated by the Arkansas General Assembly. The Department of Education determines the amount funded. The Department of Education's contribution to ATRS for the Cooperative during the years ended June 30, 1999, 1998 and 1997 was \$223,071.82, \$182,943.65 and \$128,289.89, respectively. The Cooperative's contributions to ATRS for federally funded employees for the years ended June 30, 1999, 1998, and 1997 were \$68,388.52, \$58,381.21, and \$58,137.95, respectively, equal to the required contributions for each year.

NOTE 9: On-Behalf Payments

The accompanying financial statements reflect on-behalf payments for health insurance premiums paid by the Arkansas Department of Education in the amount of \$76,038.00. Additionally, these financial statements include on-behalf payments for retirement matching paid to the Arkansas Teacher Retirement System by the Arkansas Department of Education totaling \$223,071.82.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Pass Through Grantor/Program Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Cooperative or Pass-Through Number</u>	<u>Federal Expenditures</u>
<b>SPECIAL EDUCATION CLUSTER</b>			
<u>U.S. Department of Education</u>			
Passed Through State Department of Education:			
Special Education - Grants to States	84.027	22-20	\$ 204,316.25
Special Education - Preschool Grants	84.173	22-20	<u>449,505.36</u>
TOTAL SPECIAL EDUCATION CLUSTER			<u>653,821.61</u>
 <b>OTHER PROGRAMS</b>			
<u>U.S. Department of Education</u>			
National Institute for Literacy	84.257	Note 2	157,732.01
Passed Through State Department of Education:			
Safe and Drug-Free Schools and Communities - State Grants	84.186	22-20	85,470.73
Vocational Education - Basic Grants to States	84.048	22-20	464,139.00
Eisenhower Mathematics and Science Education - State Grants	84.164	22-20	142,619.81
Adult Education - State Grant Program	84.002	22-20	460,784.33
Goals 2000 - State and Local Education Systemic Improvement Grants	84.276	22-20	<u>68,352.65</u>
Total U.S. Department of Education			<u>1,379,098.53</u>
 <u>U.S. Department of Labor</u>			
Passed Through State Department of Education:			
Employment Services and Job Training - Pilot and Demonstration Programs	17.249	22-20	<u>37,344.69</u>



SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1999

<u>Federal Grantor/Pass Through Grantor/Program Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Cooperative or Pass-Through Number</u>	<u>Federal Expenditures</u>
<u>OTHER PROGRAMS (CONTINUED)</u>			
<u>U.S. Department of Commerce</u>			
Passed Through Board of Trustees of State Institution of Higher Learning, State of Mississippi: Telecommunications and Information Infrastructure Assistance Program	11.552	28-40-96080	\$ <u>13,273.36</u>
 <u>U.S. Department of Health and Human Services</u>			
Passed Through State Department of Education: Centers for Disease Control and Prevention - Investigations and Technical Assistance	93.283	22-20	<u>1,297.51</u>
 <u>Corporation for National and Community Service</u>			
Foster Grandparent Program	94.011	Note 2	308,580.15
Passed Through State Department of Human Services: Americorps	94.006	94ASCAR0040301	<u>3,969.36</u>
Total Corporation for National and Community Service			<u>312,549.51</u>
 TOTAL OTHER PROGRAMS			 <u>1,743,563.60</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 2,397,385.21</u>

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 1999

Schedule 1  
Page 3

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 Southeast Arkansas Education Service Cooperative 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: N/A - The Federal CFDA Number or other identifying number was not available.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
 FEDERAL AWARD PROGRAMS - FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 1999

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified?  yes  no

Reportable conditions identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**FEDERAL AWARDS**

Internal control over major programs:

Material weaknesses identified?  yes  no

Reportable conditions identified that are not considered to be material weaknesses?  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:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.027 & 84.173	Special Education Cluster
84.048	Vocational Education - Basic Grants to States
84.002	Adult Education - State Grant Program
94.011	Foster Grandparent Program

Dollar threshold used to distinguish between Type A and Type B programs \$ 300,000.00

Auditee qualified as low-risk auditee?  yes  no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

99-1 - 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 Cooperative's federal programs.

Effect - The Cooperative 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 were noted.

SOUTHEAST ARKANSAS EDUCATION SERVICE COOPERATIVE  
FEDERAL AWARD PROGRAMS - SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 1999

Schedule 3

There were no findings in the prior audit.