

# **Perry Casa School District No. 2**

**Perry County, Arkansas**

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

LEGISLATIVE JOINT AUDITING COMMITTEE



PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY 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

Perry Casa School District No. 2 and School Board Members  
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Perry Casa School District No. 2 (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 March 25, 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 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  
March 25, 2003  
EDSD28302

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

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

Perry Casa School District No. 2 and School Board Members  
Legislative Joint Auditing Committee

We have audited the general purpose financial statements of the Perry Casa School District No. 2 (the "District") as of and for the year ended June 30, 2002, and have issued our report thereon dated March 25, 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, 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. Other matters involving compliance and/or internal control were reported to School District management in a separate letter.

### AUDIT FINDINGS

As a management service, we would like to bring to your attention the following compliance and/or internal control matter(s) that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations and achieve adequate internal controls. These matters were discussed previously with district officials during the course of our audit fieldwork and at the exit conference.

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

This report is intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management and district management and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

*William R. Baum*

William R. Baum, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
March 25, 2003

PERRY CASA SCHOOL DISTRICT NO. 2

Exhibit A

PERRY COUNTY, ARKANSAS

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

JUNE 30, 2002

	Governmental Fund Types			Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
ASSETS							
Cash	\$ 474,590	\$ 12,617		\$ 4,051			\$ 491,258
Due from other funds		659	\$ 19,473				20,132
Land					\$ 17,263		17,263
Buildings					970,875		970,875
Improvements other than buildings					12,872		12,872
Equipment					256,609		256,609
Amount to be provided for retirement of general long-term debt						\$ 360,317	360,317
<b>TOTAL ASSETS</b>	<b>\$ 474,590</b>	<b>\$ 13,276</b>	<b>\$ 19,473</b>	<b>\$ 4,051</b>	<b>\$ 1,257,619</b>	<b>\$ 360,317</b>	<b>\$ 2,129,326</b>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 1,132	\$ 659					\$ 1,791
Due student groups				\$ 4,051			4,051
Due to other funds	20,132						20,132
Bonds payable						\$ 300,000	300,000
Revolving loans						45,392	45,392
Capital leases						14,925	14,925
<b>Total Liabilities</b>	<b>21,264</b>	<b>659</b>		<b>4,051</b>		<b>360,317</b>	<b>386,291</b>

PERRY CASA SCHOOL DISTRICT NO. 2

Exhibit A

PERRY COUNTY, ARKANSAS

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

JUNE 30, 2002

	Governmental Fund Types			Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Projects	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
LIABILITIES AND FUND EQUITY (Continued)							
Fund Equity:							
Investment in general fixed assets					\$ 1,257,619		\$ 1,257,619
Fund balances:							
Undesignated	\$ 453,326	\$ 12,617	\$ 19,473				485,416
Total Fund Equity	453,326	12,617	19,473		1,257,619		1,743,035
TOTAL LIABILITIES AND FUND EQUITY	\$ 474,590	\$ 13,276	\$ 19,473	\$ 4,051	\$ 1,257,619	\$ 360,317	\$ 2,129,326

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

PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY 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	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>REVENUES</b>					
Property taxes	\$ 170,120			\$ 19,473	\$ 189,593
State assistance	774,256	\$ 614			774,870
Federal assistance		130,547			130,547
Activity revenues	38,724				38,724
Meal sales		8,608			8,608
Interest on investments	6,507				6,507
Other revenues	11,586				11,586
<b>TOTAL REVENUES</b>	<b>1,001,193</b>	<b>139,769</b>		<b>19,473</b>	<b>1,160,435</b>
<b>EXPENDITURES</b>					
Regular programs	377,042	3,638			380,680
Special education	70,119	26,754			96,873
Workforce education	68,613				68,613
Compensatory education	354	46,962			47,316
Other instructional programs	33,600				33,600
Support services	387,112	74,106		7,174	468,392
Non-programmed costs	628	10,149			10,777
Activity expenditures	40,628				40,628
Debt service:					
Principal retirement	6,655		\$ 15,000	1,741	23,396
Interest and fiscal charges			14,299	812	15,111
<b>TOTAL EXPENDITURES</b>	<b>984,751</b>	<b>161,609</b>	<b>29,299</b>	<b>9,727</b>	<b>1,185,386</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>16,442</b>	<b>(21,840)</b>	<b>(29,299)</b>	<b>9,746</b>	<b>(24,951)</b>



PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY 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	Debt Service	Capital Projects	Totals (Memorandum Only)
OTHER FINANCING SOURCES (USES)					
Transfers in		\$ 19,152	\$ 15,862	\$ 238	\$ 35,252
Transfers out	\$ (35,252)				(35,252)
Proceeds of a revolving loan	45,392				45,392
 TOTAL OTHER FINANCING SOURCES (USES)	 10,140	 19,152	 15,862	 238	 45,392
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 26,582	 (2,688)	 (13,437)	 9,984	 20,441
 FUND BALANCES - JULY 1	 426,744	 15,305	 13,437	 9,489	 464,975
 FUND BALANCES - JUNE 30	 \$ 453,326	 \$ 12,617	 \$ 0	 \$ 19,473	 \$ 485,416

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

PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY 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

Exhibit C

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 208,500	\$ 189,593	\$ (18,907)
State assistance	728,316	774,870	46,554
Federal assistance	90,138	130,547	40,409
Activity revenues		38,724	38,724
Meal sales		8,608	8,608
Interest on investments	15,000	6,507	(8,493)
Other revenues		11,586	11,586
	<u>1,041,954</u>	<u>1,160,435</u>	<u>118,481</u>
 EXPENDITURES			
Regular programs	399,946	380,680	19,266
Special education	114,781	96,873	17,908
Workforce education	69,071	68,613	458
Compensatory education	52,210	47,316	4,894
Other instructional programs	28,276	33,600	(5,324)
Support services	451,014	468,392	(17,378)
Non-programmed costs	19,357	10,777	8,580
Activity expenditures		40,628	(40,628)
Debt service:			
Principal retirement	15,000	23,396	(8,396)
Interest and fiscal charges	14,290	15,111	(821)
	<u>1,163,946</u>	<u>1,185,386</u>	<u>(21,440)</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(121,992)</u>	<u>(24,951)</u>	<u>97,041</u>
 OTHER FINANCING SOURCES (USES)			
Transfers in		35,252	35,252
Transfers out		(35,252)	(35,252)
Proceeds of a revolving loan		45,392	45,392
		<u>45,392</u>	<u>45,392</u>
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(121,992)</u>	<u>20,441</u>	<u>142,433</u>
 FUND BALANCES - JULY 1	<u>456,907</u>	<u>464,975</u>	<u>8,068</u>
 FUND BALANCES - JUNE 30	<u>\$ 334,915</u>	<u>\$ 485,416</u>	<u>\$ 150,501</u>

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

PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY 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 Perry Casa School District (District). The District's financial statements reflect all funds and accounts directly under the control of the District. There are no component units.

B. Basis of Presentation - Fund Accounting

The accounts are maintained in accordance with the principles of fund accounting. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Account groups are used to establish accounting control and accountability for general fixed assets and general long-term debt. The following types of funds and account groups are recognized in the accompanying financial statements.

Governmental Funds

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be accounted for in another fund.

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Projects Funds - Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Funds - Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary Funds

Agency Funds - Agency Funds are used to account for assets held by the entity as an agent for individuals, other governmental units, and other funds.

Account Groups

General Fixed Assets - to account for all fixed assets of the entity.

General Long-term Debt - to account for all long-term debt of the entity.

C. Basis of Accounting

All governmental funds and agency funds are accounted for using the modified accrual basis of accounting. Revenues are recognized when measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized when the related fund liability is incurred. Exceptions include: (1) unmatured principal and interest on general long-term debt which is recognized when due; and (2) prepaid expenses, which are not recorded.

PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY 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 the school districts employ the cash basis method.

J. Encumbrances

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

NOTE 2: Budget Versus Actual

The Combined Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Governmental Fund Types (Exhibit C) includes revenues and expenditures of the activity funds, which are not budgeted by the District.

PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 3: Public Fund Deposits

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 100,000	\$ 100,000
Uninsured, Collateralized	391,258	462,421
Total Deposits	\$ 491,258	\$ 562,421

NOTE 4: Changes in General Fixed Assets

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	\$ 17,263			\$ 17,263
Buildings	975,539		\$ 4,664	970,875
Improvements other than buildings	13,330		458	12,872
Equipment	532,061	\$ 14,720	290,172	256,609
Totals	\$ 1,538,193	\$ 14,720	\$ 295,294	\$ 1,257,619

Equipment deletions were composed of items below \$500 that the District has elected to write off.

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
11/1/1998	6/1/2019	3.85-4.75%	\$ 347,950	\$ 300,000	\$ 47,950
4/15/2002	11/1/2008	4.95%	45,392	45,392	
3/1/1999	3/1/2009	5.01%	19,902	14,925	4,977
Totals			\$ 413,244	\$ 360,317	\$ 52,927

PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

NOTE 6: Changes in Long-term Debt

	Balance July 1, 2001	Issued	Retired	Balance June 30, 2002
Bonds payable	\$ 315,000		\$ 15,000	\$ 300,000
Revolving loans	6,655	\$ 45,392	6,655	45,392
Capital leases	16,667		1,742	14,925
<b>Totals</b>	<b>\$ 338,322</b>	<b>\$ 45,392</b>	<b>\$ 23,397</b>	<b>\$ 360,317</b>

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

Year Ended June 30,	Principal	Interest	Total
2003	\$ 23,315	\$ 16,215	\$ 39,530
2004	23,407	15,115	38,522
2005	23,504	14,084	37,588
2006	23,607	13,046	36,653
2007	23,714	11,995	35,709
To Maturity	242,770	75,024	317,794
<b>Totals</b>	<b>\$ 360,317</b>	<b>\$ 145,479</b>	<b>\$ 505,796</b>

NOTE 7: Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2002
Lighting	\$ 19,902
	<u>June 30, 2002</u>
Total Minimum Lease Payments	\$ 17,873
Less: Amount Representing Interest	2,948
Total Present Value of Net Minimum Lease Payments	<u>\$ 14,925</u>

PERRY CASA SCHOOL DISTRICT NO. 2  
PERRY COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2002

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 \$76,491, \$80,652 and \$86,688, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2002, 2001 and 2000 were \$4,344, \$4,831 and \$4,545, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

Plan Description. The District contributes to the Arkansas Public Employees Retirement System (PERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for PERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2001 and 2000 were \$317 and \$303, respectively, equal to the required contributions for each year.