

**Lake View School District No. 25**

**Phillips County, Arkansas**

**General Purpose Financial Statements  
and Other Reports  
June 30, 2001**

LEGISLATIVE JOINT AUDITING COMMITTEE

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PHILLIPS COUNTY, ARKANSAS  
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JUNE 30, 2001

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Senate Co-Chair  
Rep. Danny W. Ferguson  
House Co-Chair  
Sen. Henry "Hank" Wilkins, IV  
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Rep. Tommy Roebuck  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Lake View School District No. 25 and School Board Members  
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Lake View School District No. 25 (the "District"), as of and for the year ended June 30, 2001, as listed in the table of contents. These financial statements are the responsibility of district management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

The District did not make available sufficient evidential matter supporting certain transactions related to maintaining a balanced and reconciled general ledger, and the proper accounting of state and federal grants. The District's records do not permit the application of other auditing procedures to the aforementioned areas.

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to balance and reconcile the general ledger, and verify compliance with state and federal grants, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the District as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 2002 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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  
February 26, 2002  
EDSD28901

Sen. Kevin A. Smith  
Senate Co-Chair  
Rep. Danny W. Ferguson  
House Co-Chair  
Sen. Henry "Hank" Wilkins, IV  
Senate Co-Vice Chair  
Rep. Tommy Roebuck  
House Co-Vice Chair

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Lake View School District No. 25 and School Board Members  
Legislative Joint Auditing Committee

We have audited the general purpose financial statements of the Lake View School District No. 25 (the "District") as of and for the year ended June 30, 2001, and have issued our report thereon dated February 26, 2002. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* which are disclosed below in the Audit Findings section of this letter.

#### 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 numbers 1 through 8 below to be material weaknesses. 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.

1. The District had inadequate control over cash transactions because of insufficient segregation of duties due to a limited number of personnel.
2. As reported in fiscal years 1995 through 2000, the general ledger was not reconciled for fiscal year 2001. This reflects a material weakness in fiscal management and could preclude management and the Board of Directors from making sound business decisions and determining financial position.

Personnel with Arkansas Public School Computer Network (APSCN) assisted the District and reconciled cash as of June 30, 2001. Also, APSCN has assisted the District in reconciling the general ledger and cash during fiscal year 2002.

3. The District does not have fiscal policies and procedures to ensure debt obligations are paid in a timely manner. This resulted in delinquent state unemployment taxes and related assessments of \$60,823 as of January 16, 2002. A similar finding has been reported since fiscal year 1992.

The District indicated that a \$3,000 payment on the delinquent debt was paid to the Arkansas Employment Security Department on January 31, 2002.

4. As reported since fiscal year 1992, the District had increases in Educational Excellence Trust Funds that were not paid in teachers' salaries. This resulted in teachers' salary underpayments of \$462, \$2,797, \$364, and \$3,528 for fiscal years 1992, 1995, 1996 and 2001, respectively. We recommend contacting the Department of Education to resolve this matter.

The District indicated that teachers' salary underpayments for fiscal years 1992, 1995 and 1996 were paid on February 8, 2002. This leaves an underpayment of \$3,528 for fiscal year 2001.

5. During our examination of federal programs we noted the following: a) the amount reflected on the general ledger did not always reconcile to amounts reflected on federal program financial statements; b) revenue for some grants was not posted to the appropriate fund; and c) Title I and Title VI Funds had a deficit fund balance per audit of \$31,759 and \$3,208, respectively. As a result of the accounting deficiencies, the fund balances for five (5) programs were not correct as of June 30, 2001. A similar finding was reported in the eight (8) previous fiscal years.
6. State law concerning imaged bank statements was not being complied with. Our examination disclosed the following:
  - A. Two banks utilized plain paper for check imaging and did not provide the Division of Legislative Audit with duplicate copies of imaged checks for verification and authentication purposes.
  - B. Copies of the back of cancelled checks were not provided with the bank statements.
7. The Lake View School District held a Board Retreat at Goldstrike Casino in Robinsonville, Mississippi on May 24, 2001 through May 26, 2001, which appears to be in conflict with Attorney General's Opinion No. 2001-136, dated June 5, 2001. The opinion states "a school board meeting that is held out of the school district or out of the state would thwart the purpose of the Freedom of Information Act, because it would inhibit the attendance of the members of the public who are most interested in school board business." Also, it was noted that public notice of the board meeting was not given.

8. As a result of unauthorized disbursements reported in the District's audit report for fiscal year 1997 and a State Police investigation, Debra Frazier, Bookkeeper was charged with theft of property of \$5,387.65 on April 7, 1999. On February 26, 2002, Ms. Frazier fully reimbursed the District with a final payment of \$187.65. The case is pending in Phillips County Circuit Court as of February 26, 2002.

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  
February 26, 2002

LAKE VIEW SCHOOL DISTRICT NO. 25

Exhibit A

PHILLIPS COUNTY, ARKANSAS

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

JUNE 30, 2001

	Governmental Fund Types			Fiduciary	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Fixed Assets	General Long- Term Debt	
ASSETS							
Cash	\$ 143,720	\$ 1,149	\$ 5,160	\$ 5,741			\$ 155,770
Accounts receivable		10,688					10,688
Due from other funds	595	7,756					8,351
Interfund receivable	500						500
Land					\$ 22,544		22,544
Buildings					1,069,356		1,069,356
Improvements other than buildings					2,502		2,502
Equipment					337,259		337,259
Amount available in debt service funds						\$ 5,160	5,160
Amount to be provided for retirement of general long-term debt						252,804	252,804
<b>TOTAL ASSETS</b>	<b>\$ 144,815</b>	<b>\$ 19,593</b>	<b>\$ 5,160</b>	<b>\$ 5,741</b>	<b>\$ 1,431,661</b>	<b>\$ 257,964</b>	<b>\$ 1,864,934</b>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 15,355						\$ 15,355
Salaries payable	7,151						7,151
Due student groups				\$ 5,090			5,090
Due to other funds	6,376	\$ 1,975					8,351
Interfund payable		500					500
Bonds payable						\$ 155,000	155,000
Revolving loans payable						34,900	34,900
Capital leases						68,064	68,064
<b>Total Liabilities</b>	<b>28,882</b>	<b>2,475</b>		<b>5,090</b>		<b>257,964</b>	<b>294,411</b>

LAKE VIEW SCHOOL DISTRICT NO. 25  
 PHILLIPS COUNTY, ARKANSAS  
 COMBINED BALANCE SHEET - GOVERNMENTAL AND FIDUCIARY FUND TYPES AND ACCOUNT GROUPS  
 JUNE 30, 2001

Exhibit A

	Governmental Fund Types			Fiduciary	Account Groups		Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Trust and Agency	General Fixed Assets	General Long- Term Debt	
LIABILITIES AND FUND EQUITY (Continued)							
Fund Equity:							
Investment in general fixed assets					\$ 1,431,661		\$ 1,431,661
Fund balances:							
Unreserved:							
Designated:							
Debt service			\$ 5,160				5,160
Trust funds				\$ 651			651
Undesignated	\$ 115,933	\$ 17,118					133,051
Total Fund Equity	<u>115,933</u>	<u>17,118</u>	<u>5,160</u>	<u>651</u>	<u>1,431,661</u>		<u>1,570,523</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u>\$ 144,815</u>	 <u>\$ 19,593</u>	 <u>\$ 5,160</u>	 <u>\$ 5,741</u>	 <u>\$ 1,431,661</u>	 <u>\$ 257,964</u>	 <u>\$ 1,864,934</u>

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



LAKE VIEW SCHOOL DISTRICT NO. 25  
 PHILLIPS COUNTY, ARKANSAS  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2001

Exhibit B

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Expendable Trust	
REVENUES					
Property taxes	\$ 192,953				\$ 192,953
State assistance	985,488	\$ 1,035	\$ 15,528		1,002,051
Federal assistance		235,582			235,582
Activity revenues	25,449				25,449
Meal sales		4,274			4,274
Interest on investments	5,594				5,594
Other revenues	17,290	4,302			21,592
<b>TOTAL REVENUES</b>	<b>1,226,774</b>	<b>245,193</b>	<b>15,528</b>		<b>1,487,495</b>
EXPENDITURES					
Regular programs	380,271	5,237			385,508
Special education	40,132	143			40,275
Workforce education	116,374	968			117,342
Compensatory education		112,164			112,164
Support services	595,391	159,245			754,636
Non-programmed costs	9,426	15,480			24,906
Activity expenditures	17,911				17,911
Debt service:					
Principal retirement	35,111		25,000		60,111
Interest and fiscal charges	3,743		12,193		15,936
<b>TOTAL EXPENDITURES</b>	<b>1,198,359</b>	<b>293,237</b>	<b>37,193</b>		<b>1,528,789</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>28,415</b>	<b>(48,044)</b>	<b>(21,665)</b>		<b>(41,294)</b>

LAKE VIEW SCHOOL DISTRICT NO. 25  
 PHILLIPS COUNTY, ARKANSAS  
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND  
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS  
 FOR THE YEAR ENDED JUNE 30, 2001

Exhibit B

	Governmental Fund Types			Fiduciary Fund Type	Totals (Memorandum Only)
	General	Special Revenue	Debt Service	Expendable Trust	
OTHER FINANCING SOURCES (USES)					
Transfers in		\$ 4,334	\$ 15,436		\$ 19,770
Transfers out	\$ (19,770)				(19,770)
Proceeds from certificates of indebtedness	34,900				34,900
Proceeds from capital leases	37,284				37,284
TOTAL OTHER FINANCING SOURCES (USES)	<u>52,414</u>	<u>4,334</u>	<u>15,436</u>		<u>72,184</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	80,829	(43,710)	(6,229)	\$ 0	30,890
FUND BALANCES - JULY 1	<u>35,104</u>	<u>60,828</u>	<u>11,389</u>	<u>651</u>	<u>107,972</u>
FUND BALANCES - JUNE 30	<u>\$ 115,933</u>	<u>\$ 17,118</u>	<u>\$ 5,160</u>	<u>\$ 651</u>	<u>\$ 138,862</u>

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

## LAKE VIEW SCHOOL DISTRICT NO. 25

Exhibit C

## PHILLIPS COUNTY, ARKANSAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
 FUND BALANCES - BUDGET AND ACTUAL - GOVERNMENTAL FUND TYPES  
 FOR THE YEAR ENDED JUNE 30, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 581,000	\$ 192,953	\$ (388,047)
State assistance	968,465	1,002,051	33,586
Federal assistance	107,400	235,582	128,182
Activity revenues		25,449	25,449
Meal sales		4,274	4,274
Interest on investments	5,000	5,594	594
Other revenues	8,000	21,592	13,592
	<u>1,669,865</u>	<u>1,487,495</u>	<u>(182,370)</u>
TOTAL REVENUES			
EXPENDITURES			
Regular programs	396,882	385,508	11,374
Special education	40,778	40,275	503
Workforce education	133,333	117,342	15,991
Compensatory education	113,342	112,164	1,178
Support services	384,232	754,636	(370,404)
Non-programmed costs		24,906	(24,906)
Activity expenditures		17,911	(17,911)
Debt service:			
Principal retirement		60,111	(60,111)
Interest and fiscal charges		15,936	(15,936)
	<u>1,068,567</u>	<u>1,528,789</u>	<u>(460,222)</u>
TOTAL EXPENDITURES			
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>601,298</u>	<u>(41,294)</u>	<u>(642,592)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		19,770	19,770
Transfers out		(19,770)	(19,770)
Proceeds from certificates of indebtedness		34,900	34,900
Proceeds from capital leases		37,284	37,284
		<u>72,184</u>	<u>72,184</u>
TOTAL OTHER FINANCING SOURCES (USES)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	601,298	30,890	(570,408)
FUND BALANCES - JULY 1	<u>406,064</u>	<u>107,321</u>	<u>(298,743)</u>
FUND BALANCES - JUNE 30	<u>\$ 1,007,362</u>	<u>\$ 138,211</u>	<u>\$ (869,151)</u>

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

LAKE VIEW SCHOOL DISTRICT NO. 25  
PHILLIPS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity

The Board of Education, a seven (7) 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 Lake View 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.

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

Fiduciary Funds

Trust and Agency Funds - Trust and Agency Funds are used to account for assets held by the entity in a trustee capacity or as an agent for individuals, other governmental units, and other funds. These include Expendable and Agency 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, expendable trust 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.

LAKE VIEW SCHOOL DISTRICT NO. 25  
PHILLIPS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

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. Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

H. Liability for Compensated Absences

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

I. Fund Equity

Fund Balance -

1. Designated fund balance - represents that portion of fund equity which indicates tentative plans for financial resource utilization in a future period.
2. Undesignated fund balance - indicates that portion of fund equity not reserved or designated.

J. 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.

K. Encumbrances

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

LAKE VIEW SCHOOL DISTRICT NO. 25  
 PHILLIPS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2001

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.

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)	\$ 5,948	\$ 23,195

The above total deposits do not include cash in the amount of \$149,822 which was held in the Phillips County Treasury.

NOTE 4: Changes in General Fixed Assets

	Balance July 1, 2000	Additions	Deletions	Balance June 30, 2001
Land	\$ 22,544			\$ 22,544
Buildings	1,032,072	\$ 37,284		1,069,356
Improvements other than buildings	2,502			2,502
Equipment	288,803	50,469	\$ 2,013	337,259
Totals	\$ 1,345,921	\$ 87,753	\$ 2,013	\$ 1,431,661

NOTE 5: Long-term Debt Issued and Outstanding

The District is presently paying on the following long-term debt:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2001	Maturities To June 30, 2001
4/1/87	2-06	5.75 -6.7%	\$ 413,825	\$ 155,000	\$ 258,825
12/1/98	1-05	5.39%	49,975	30,780	19,195
1/1/01	1-11	6.50%	37,284	37,284	
2/1/01	11-06	5.85%	34,900	34,900	
Totals			\$ 535,984	\$ 257,964	\$ 278,020

LAKE VIEW SCHOOL DISTRICT NO. 25  
 PHILLIPS COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2001

NOTE 6: Changes in Long-term Debt

	Balance July 1, 2000	Issued	Retired	Balance June 30, 2001
Bonds payable	\$ 180,000		\$ 25,000	\$ 155,000
Certificates of indebtedness		\$ 34,900		34,900
Postdated warrants	21,862		21,862	
Capital leases	44,029	37,284	13,249	68,064
<b>Totals</b>	<b>\$ 245,891</b>	<b>\$ 72,184</b>	<b>\$ 60,111</b>	<b>\$ 257,964</b>

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

Year Ended June 30,	Principal	Interest	Total
2002	\$ 45,729	\$ 16,195	\$ 61,923
2003	46,225	13,378	59,603
2004	46,822	10,434	57,256
2005	47,453	7,450	54,903
2006	44,361	4,432	48,793
To Maturity	27,374	4,210	31,584
<b>Totals</b>	<b>\$ 257,964</b>	<b>\$ 56,097</b>	<b>\$ 314,062</b>

NOTE 7: Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2001
School bus	\$ 49,975
Lighting project	37,284
<b>Total</b>	<b>\$ 87,259</b>
	<u>June 30, 2001</u>
Total Minimum Lease Payments	\$ 87,259
Less: Amount Representing Interest	19,195
<b>Total Present Value of Net Minimum Lease Payments</b>	<b>\$ 68,064</b>

LAKE VIEW SCHOOL DISTRICT NO. 25  
PHILLIPS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

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, 2001, 2000 and 1999 were \$71,635, \$65,265 and \$67,891, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2001, 2000 and 1999 were \$7,438, \$7,704 and \$9,583, respectively, equal to the required contributions for each year.

Arkansas Public Employees Retirement System

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

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2001, 2000 and 1999 were \$1,379, \$1,355 and \$1,715, respectively, equal to the required contributions for each year.

NOTE 9: Pending Litigation

Lake View School District V. State of Arkansas, Chancery Court of Pulaski County, Arkansas

The District has filed two cases in the Pulaski County Chancery Court. One case concerns school funding in general, and the second case concerns school funding, specifically, the adequacy of school funding and related matters. The District contends that the current system of public finance within the State of Arkansas is unconstitutional under state law and violates statutes, constitutional amendments and articles because it has not provided for the District sufficient funds for the "adequate financing" of appropriate education programs.

The judge in the case has ruled in favor of the District, however, an appeal was filed by the State of Arkansas on June 22, 2001.



LAKE VIEW SCHOOL DISTRICT NO. 25  
PHILLIPS COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2001

NOTE 10: Scholarship Fund

The District has previously received \$651 for "Student Scholarships" from alumni donations. The scholarship is awarded to a student based on the financial need of the students submitting applications to the District. The scholarship fund had a balance of \$651 at June 30, 2001.

LAKE VIEW SCHOOL DISTRICT NO. 25  
 PHILLIPS COUNTY, ARKANSAS  
 EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2001

Schedule 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA 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	\$ 36,888
National School Lunch Program	10.555	56,870
Total State Department of Education		93,758
Passed Through State Department of Human Services:		
National School Lunch Program (Note 2)	10.555	6,319
TOTAL CHILD NUTRITION CLUSTER		100,077
 <b>OTHER PROGRAMS</b>		
<u>U. S. Department of Education</u>		
Passed Through State Department of Education:		
Title I Grants - Local Educational Agencies	84.010	123,217
Vocational Education - Basic Grants to States	84.048	968
Eisenhower Professional Development		
Federal Activities	84.168	440
Innovative Education Program Strategies	84.298	4,865
Total U. S. Department of Education		129,490
 <u>U. S. Department of Labor</u>		
Passed Through Arkansas Human Development Corporation		
WIA Youth Activities	17.259	34,405
TOTAL OTHER PROGRAMS		163,895
TOTAL EXPENDITURES OF FEDERAL AWARDS		\$ 263,972

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 Lake View School District No. 25 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.