

# **Saratoga School District No. 11**

**Hempstead County, Arkansas**

## **General Purpose Financial Statements and Other Reports June 30, 2003**



SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
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JUNE 30, 2003

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

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Saratoga School District No. 11 and School Board Members  
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Saratoga School District No. 11 (the "District"), as of and for the year ended June 30, 2003, 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, 2003, 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 August 24, 2004 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the table of contents, including the schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the District. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and in our opinion, is fairly stated, in all material respects, in relation to the general purpose financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE  
Legislative Auditor

Little Rock, Arkansas  
August 24, 2004  
EDSD15403

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

# Arkansas



Charles L. Robinson, CPA, CFE  
Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

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

Saratoga School District No. 11 and School Board Members  
Legislative Joint Auditing Committee

The underlying purpose of this letter is to convey certain observations and recommendations regarding state and federal compliance and internal control in conjunction with our audit of the Saratoga School District No. 11. 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 Saratoga School District No. 11 (the "District"), as of and for the year ended June 30, 2003, and have issued our report thereon dated August 24, 2004. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the District's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, and federal contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are disclosed below in the Audit Findings section of this letter.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider the finding below to be a material weakness. Other matters involving compliance and/or internal control were reported to School District management in a separate letter.

#### AUDIT FINDING

##### Reportable Condition

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

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

##### Compliance

We have audited the compliance of the Saratoga School District No. 11 (the "District") with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2003. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of Federal Award Programs - Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003.

##### Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

These reports are intended for the information and use of the Legislative Joint Auditing Committee, state executive and oversight management, district management, the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties. However, this report is a matter of public record and its distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT

The image shows a handwritten signature in black ink that reads "William R. Baum". The signature is written in a cursive, flowing style.

William R. Baum, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
August 24, 2004

SARATOGA SCHOOL DISTRICT NO. 11

Exhibit A

HEMPSTEAD COUNTY, ARKANSAS

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

JUNE 30, 2003

	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	\$ 156,684	\$ 82,355	\$ 178,912	\$ 6,766			\$ 424,717
Investments	485,052						485,052
Land					\$ 22,105		22,105
Buildings					1,278,353		1,278,353
Improvements other than buildings					28,996		28,996
Equipment					281,362		281,362
Amount to be provided for retirement of general long-term debt						\$ 601,273	601,273
<b>TOTAL ASSETS</b>	<b>\$ 641,736</b>	<b>\$ 82,355</b>	<b>\$ 178,912</b>	<b>\$ 6,766</b>	<b>\$ 1,610,816</b>	<b>\$ 601,273</b>	<b>\$ 3,121,858</b>
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 2,121						\$ 2,121
Due student groups				\$ 6,236			6,236
Bonds payable						\$ 545,000	545,000
Installment contracts						56,273	56,273
<b>Total Liabilities</b>	<b>2,121</b>			<b>6,236</b>		<b>601,273</b>	<b>609,630</b>
Fund Equity:							
Investment in general fixed assets					\$ 1,610,816		1,610,816
Fund balances:							
Reserved:							
Scholarships				530			530
Unreserved:							
Undesignated	639,615	\$ 82,355	\$ 178,912				900,882
<b>Total Fund Equity</b>	<b>639,615</b>	<b>82,355</b>	<b>178,912</b>	<b>530</b>	<b>1,610,816</b>		<b>2,512,228</b>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<b>\$ 641,736</b>	<b>\$ 82,355</b>	<b>\$ 178,912</b>	<b>\$ 6,766</b>	<b>\$ 1,610,816</b>	<b>\$ 601,273</b>	<b>\$ 3,121,858</b>

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

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

Exhibit B

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
<b>REVENUES</b>					
Property taxes	\$ 264,954				\$ 264,954
State assistance	985,234	\$ 744	\$ 5,563		991,541
Federal assistance		396,074			396,074
Activity revenues	21,794				21,794
Meal sales		27,369			27,369
Interest on investments	27,991			\$ 1,295	29,286
Other revenues	8,137	434			8,571
<b>TOTAL REVENUES</b>	<b>1,308,110</b>	<b>424,621</b>	<b>5,563</b>	<b>1,295</b>	<b>1,739,589</b>
<b>EXPENDITURES</b>					
Regular programs	627,305	17,121			644,426
Special education	37,197	31,442			68,639
Workforce education	105,063				105,063
Compensatory education	66	206,394			206,460
Other instructional programs	9,657	17,210			26,867
Support services	508,177	110,371		73,988	692,536
Activity expenditures	19,264				19,264
Capital outlay				12,673	12,673
Debt service:					
Principal retirement	14,228		8,800		23,028
Interest and fiscal charges	4,837		12,454	5,984	23,275
<b>TOTAL EXPENDITURES</b>	<b>1,325,794</b>	<b>382,538</b>	<b>21,254</b>	<b>92,645</b>	<b>1,822,231</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(17,684)</b>	<b>42,083</b>	<b>(15,691)</b>	<b>(91,350)</b>	<b>(82,642)</b>



SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

Exhibit B

	General	Special Revenue	Debt Service	Capital Projects	Totals (Memorandum Only)
OTHER FINANCING SOURCES (USES)					
Transfers in			\$ 15,691		\$ 15,691
Transfers out	\$ (15,691)				(15,691)
Proceeds from bond issue				\$ 553,800	553,800
Net bond issue cost				(33,538)	(33,538)
1996 Bonds refunded				(250,000)	(250,000)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(15,691)</b>		<b>15,691</b>	<b>270,262</b>	<b>270,262</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(33,375)</b>	<b>\$ 42,083</b>		<b>178,912</b>	<b>187,620</b>
FUND BALANCES - JULY 1	672,990	40,272			713,262
FUND BALANCES - JUNE 30	<u>\$ 639,615</u>	<u>\$ 82,355</u>	<u>\$ 0</u>	<u>\$ 178,912</u>	<u>\$ 900,882</u>

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

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUND TYPES  
FOR THE YEAR ENDED JUNE 30, 2003

Exhibit C

	General Fund			Special Revenue Fund			Totals (Memorandum Only)		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES									
Property taxes	\$ 406,401	\$ 264,954	\$ (141,447)				\$ 406,401	\$ 264,954	\$ (141,447)
State assistance	916,510	985,234	68,724		\$ 744	\$ 744	916,510	985,978	69,468
Federal assistance				\$ 423,679	396,074	(27,605)	423,679	396,074	(27,605)
Activity revenues		21,794	21,794					21,794	21,794
Meal sales					27,369	27,369		27,369	27,369
Interest on investments	30,500	27,991	(2,509)				30,500	27,991	(2,509)
Other revenues	1,000	8,137	7,137		434	434	1,000	8,571	7,571
<b>TOTAL REVENUES</b>	<b>1,354,411</b>	<b>1,308,110</b>	<b>(46,301)</b>	<b>423,679</b>	<b>424,621</b>	<b>942</b>	<b>1,778,090</b>	<b>1,732,731</b>	<b>(45,359)</b>
EXPENDITURES									
Regular programs	610,743	627,305	(16,562)	21,120	17,121	3,999	631,863	644,426	(12,563)
Special education	33,968	37,197	(3,229)	27,663	31,442	(3,779)	61,631	68,639	(7,008)
Workforce education	109,253	105,063	4,190				109,253	105,063	4,190
Compensatory education		66	(66)	260,541	206,394	54,147	260,541	206,460	54,081
Other instructional programs	9,248	9,657	(409)	13,300	17,210	(3,910)	22,548	26,867	(4,319)
Support services	511,448	508,177	3,271	46,489	110,371	(63,882)	557,937	618,548	(60,611)
Non-programmed costs				6,400		6,400	6,400		6,400
Activity expenditures		19,264	(19,264)					19,264	(19,264)
Debt service:									
Principal retirement	16,614	14,228	2,386				16,614	14,228	2,386
Interest and fiscal charges	4,837	4,837					4,837	4,837	
<b>TOTAL EXPENDITURES</b>	<b>1,296,111</b>	<b>1,325,794</b>	<b>(29,683)</b>	<b>375,513</b>	<b>382,538</b>	<b>(7,025)</b>	<b>1,671,624</b>	<b>1,708,332</b>	<b>(36,708)</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	58,300	(17,684)	(75,984)	48,166	42,083	(6,083)	106,466	24,399	(82,067)
OTHER FINANCING SOURCES (USES) Transfers out	(31,571)	(15,691)	15,880				(31,571)	(15,691)	15,880
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	26,729	(33,375)	(60,104)	48,166	42,083	(6,083)	74,895	8,708	(66,187)
FUND BALANCES - JULY 1	679,854	672,990	(6,864)	40,272	40,272		720,126	713,262	(6,864)
FUND BALANCES - JUNE 30	\$ 706,583	\$ 639,615	\$ (66,968)	\$ 88,438	\$ 82,355	\$ (6,083)	\$ 795,021	\$ 721,970	\$ (73,051)

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

SARATOGA SCHOOL DISTRICT NO. 11  
 HEMPSTEAD COUNTY, ARKANSAS  
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCES -  
 FIDUCIARY FUND TYPE - NONEXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2003

Exhibit D

	Totals (Memorandum Only)
OPERATING EXPENSES	
Scholarship awards	\$ 4,800
NET INCOME (LOSS)	(4,800)
FUND BALANCE, JULY 1	5,330
FUND BALANCE, JUNE 30	\$ 530

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

SARATOGA SCHOOL DISTRICT NO. 11  
 HEMPSTEAD COUNTY, ARKANSAS  
 STATEMENT OF CASH FLOWS - FIDUCIARY FUND TYPE - NONEXPENDABLE TRUST FUND  
 FOR THE YEAR ENDED JUNE 30, 2003

Exhibit E

	Totals (Memorandum Only)
Cash flows from operating activities:	
Scholarships	\$ (4,800)
Net increase (decrease) in cash	(4,800)
CASH - JULY 1	5,330
CASH - JUNE 30	\$ 530

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

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

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 Saratoga 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

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

Account Groups

General Fixed Assets - 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. The accrual basis of accounting is followed in all Nonexpendable Trust Funds. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

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. Investments

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

G. Inventories

Inventories are considered expenditures when purchased.

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

J. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of school districts employ the cash basis method.

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.

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

NOTE 1: Summary of Significant Accounting Policies (Continued)

L. Cash Equivalents

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

NOTE 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)	\$ 100,000	\$ 100,000
Uninsured, Collateralized	324,717	410,782
Total Deposits	\$ 424,717	\$ 510,782

NOTE 4: Public Fund Investments

The District's investments are categorized to give an indication of the level of risk assumed by the District at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent but not in the District's name.

Type of Investment	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of deposit	\$ 485,052	\$ 0	\$ 0	\$ 485,052	\$ 485,052

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

NOTE 5: Changes in General Fixed Assets

	Balance July 1, 2002	Additions	Deletions	Balance June 30, 2003
Land	\$ 22,105			\$ 22,105
Buildings	1,278,353			1,278,353
Improvements other than buildings	16,323	\$ 12,673		28,996
Equipment	381,905	7,048	\$ 107,591	281,362
<b>Totals</b>	<b>\$ 1,698,686</b>	<b>\$ 19,721</b>	<b>\$ 107,591</b>	<b>\$ 1,610,816</b>

NOTE 6: 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, 2003	Maturities To June 30, 2003
11/1/2002	2/1/29	3.85 to 4.75%	\$ 553,800	\$ 545,000	\$ 8,800
1/4/2001	11/3/10	7.00%	39,142	31,720	7,422
11/16/2000	11/16/04	6.88%	46,050	24,553	21,497
<b>Totals</b>			<b>\$ 638,992</b>	<b>\$ 601,273</b>	<b>\$ 37,719</b>

NOTE 7: Changes in Long-term Debt

	Balance July 1, 2002	Issued	Retired	Balance June 30, 2003
Bonds payable	\$ 250,000	\$ 553,800	\$ 258,800	\$ 545,000
Installment contracts	70,501		14,228	56,273
<b>Totals</b>	<b>\$ 320,501</b>	<b>\$ 553,800</b>	<b>\$ 273,028</b>	<b>\$ 601,273</b>

Includes \$250,000 early retirement of debt - See Note 11.



SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

NOTE 7: Changes in Long-term Debt (Continued)

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

Year Ended June 30,	Principal	Interest	Total
2004	\$ 25,214	\$ 27,774	\$ 52,988
2005	31,268	26,334	57,602
2006	18,839	24,629	43,468
2007	19,112	23,779	42,891
2008	19,405	22,908	42,313
To Maturity	<u>487,435</u>	<u>279,408</u>	<u>766,843</u>
Totals	<u>\$ 601,273</u>	<u>\$ 404,832</u>	<u>\$ 1,006,105</u>

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, 2003, 2002 and 2001 were \$97,491, \$101,260 and \$99,525, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2003, 2002 and 2001 were \$18,929, \$10,454 and \$7,859, 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.

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2003

NOTE 8: Retirement Plans (Continued)

Arkansas Public Employees Retirement System (Continued)

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, 2003, 2002 and 2001 were \$721, \$683 and \$700, respectively, equal to the required contributions for each year.

NOTE 9: Nonexpendable Trust Fund

The revenues from the Calhoun Walker Scholarship Fund came from interest earned on deposits and donations. A scholarship committee awards scholarships yearly based on academic achievement and financial need. The scholarship fund originated through donations from private sources.

NOTE 10: Recent Legislation

Act 60 of the 2<sup>nd</sup> Extraordinary Session of the 84<sup>th</sup> Assembly of the State of Arkansas, which became effective January 29, 2004, provides for the consolidation of school districts with fewer than three hundred fifty (350) students. Isolated districts will consolidate administratively but will retain their campus. Effective July 1, 2004, Saratoga School District No. 11 was annexed into the Mineral Springs School District.

NOTE 11: Advance Refunding of Debt

On November 1, 2002, the District issued \$553,800 of refunding bonds with interest rates from 3.85 to 4.75 percent to advance refund \$250,000 of outstanding bonds dated December 1, 1996 with interest rates from 4.0 to 5.0 percent. The net proceeds of \$264,278 (after payment of net bond issue costs of \$33,538 and interest of \$5,984) will be used for construction. The District called the 1996 bonds for redemption prior to maturity on February 1, 2003.

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 1

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Agency or Pass-Through Number	Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>			
<u>U. S. Department of Agriculture</u>			
Passed Through State Department of Education:			
School Breakfast Program	10.553	29-05-000	\$ 18,227
National School Lunch Program	10.555	29-05-000	48,582
Total State Department of Education			66,809
Passed Through State Department of Human Services:			
National School Lunch Program (Note 2)	10.555	2903	5,376
<b>TOTAL CHILD NUTRITION CLUSTER</b>			<b>72,185</b>
<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	29-05	80,762
Special Education - Grants to States	84.027	29-05	35,978
Safe and Drug-Free Schools and Communities - State Grants	84.186	29-05	200
Innovative Education Program Strategies	84.298	29-05	1,403
Reading Excellence	84.338	29-05	150,295
Improving Teacher Quality State Grants	84.367	29-05	16,867
Total U. S. Department of Education			285,505
<u>Department of Labor</u>			
Passed Through Southwest Arkansas Planning and Development District Inc.:			
WIA Youth Activities	17.259	Note 3	11
<b>TOTAL OTHER PROGRAMS</b>			<b>285,516</b>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<b>\$ 357,701</b>

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 Saratoga School District No. 11 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.
- Note 3: The Federal CFDA number or other identifying number was not available.

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 2

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

FINANCIAL STATEMENTS

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

FEDERAL AWARDS

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Reportable condition(s) identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  yes  no

Identification of major programs:

CFDA Numbers	Name of Federal Programs or Cluster
10.553, 10.555	Child Nutrition Cluster
84.338	Reading Excellence

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

Auditee qualified as low-risk auditee?  yes  no

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 2

**SECTION II - FINANCIAL STATEMENT FINDINGS**

REPORTABLE CONDITION

2003-1. Segregation of Duties

Specific Requirement - Duties pertaining to cash transactions should be adequately segregated to reduce the opportunities for any individual in the normal course of his/her duties to both perpetuate and conceal errors or irregularities.

Condition - Duties pertaining to cash transactions were not adequately segregated. This condition could be applicable to the District's federal programs.

Effect - The District had inadequate control over cash transactions.

Cause - Duties pertaining to cash transactions were not adequately segregated due to a limited number of personnel.

Recommendation - Segregation of duties relating to cash transactions should be established to the extent possible.

Response - We concur with the recommendation.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No findings and questioned costs noted.

SARATOGA SCHOOL DISTRICT NO. 11  
HEMPSTEAD COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS -  
SUMMARY OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2003

Schedule 3

There were no findings in the prior audit.