

St. Paul School District No. 48

Madison County, Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE



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MADISON COUNTY, ARKANSAS
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JUNE 30, 2002

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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

St. Paul School District No. 48 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the St. Paul School District No. 48 (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 17, 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 17, 2003
EDSD23602

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

St. Paul School District No. 48 and School Board Members
Legislative Joint Auditing Committee

We have audited the general purpose financial statements of the St. Paul School District No. 48 (the "District") as of and for the year ended June 30, 2002, and have issued our report thereon dated March 17, 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.

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 17, 2003

ST. PAUL SCHOOL DISTRICT NO. 48

Exhibit A

MADISON COUNTY, ARKANSAS

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

JUNE 30, 2002

	Governmental Fund Types			Fiduciary	Account Groups		Totals
	General	Special Revenue	Capital Projects	Fund Types Agency	General Fixed Assets	General Long- Term Debt	(Memorandum Only)
ASSETS							
Cash	\$ 348,072	\$ 21,770	\$ 4,788	\$ 18,456			\$ 393,086
Accounts receivable	9,873	6,065	634				16,572
Other receivables	160,000						160,000
Taxes receivable	10,463		739				11,202
Land					\$ 73,526		73,526
Buildings					1,572,989		1,572,989
Improvements other than buildings					61,501		61,501
Equipment					759,239		759,239
Construction in progress					333,357		333,357
Amount to be provided for retirement of general long-term debt						\$ 1,447,895	1,447,895
TOTAL ASSETS	\$ 528,408	\$ 27,835	\$ 6,161	\$ 18,456	\$ 2,800,612	\$ 1,447,895	\$ 4,829,367
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 10,307						\$ 10,307
Due student groups				\$ 18,456			18,456
Bonds payable						\$ 1,115,000	1,115,000
Certificates of indebtedness						25,000	25,000
Capital leases						307,895	307,895
Total Liabilities	10,307			18,456		1,447,895	1,476,658
Fund Equity:							
Investment in general fixed assets					\$ 2,800,612		2,800,612
Fund balances:							
Undesignated	518,101	\$ 27,835	\$ 6,161				552,097
Total Fund Equity	518,101	27,835	6,161		2,800,612		3,352,709
TOTAL LIABILITIES AND FUND EQUITY	\$ 528,408	\$ 27,835	\$ 6,161	\$ 18,456	\$ 2,800,612	\$ 1,447,895	\$ 4,829,367

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

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON 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)
REVENUES					
Property taxes	\$ 251,656			\$ 15,793	\$ 267,449
State assistance	1,534,069	\$ 1,391		7,609	1,543,069
Federal assistance	74,982	165,510			240,492
Activity revenues	19,921				19,921
Meal sales		25,682			25,682
Interest on investments	6,158	80		435	6,673
Other revenues	6,904				6,904
TOTAL REVENUES	1,893,690	192,663		23,837	2,110,190
EXPENDITURES					
Regular programs	762,100	6,049			768,149
Special education	103,422	51,650			155,072
Workforce education	132,812				132,812
Other instructional programs	16,583				16,583
Support services	631,905	113,254		6,537	751,696
Non-programmed costs	35,714				35,714
Activity expenditures	23,320				23,320
Capital outlay				295,876	295,876
Debt service:					
Principal retirement	43,417		\$ 25,000		68,417
Interest and fiscal charges	11,585		62,298		73,883
TOTAL EXPENDITURES	1,760,858	170,953	87,298	302,413	2,321,522
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	132,832	21,710	(87,298)	(278,576)	(211,332)

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON 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			\$ 87,298	\$ 102,338	\$ 189,636
Transfers out	\$ (189,636)				(189,636)
Value of capital lease	160,000				160,000
 TOTAL OTHER FINANCING SOURCES (USES)	 (29,636)		 87,298	 102,338	 160,000
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	 103,196	\$ 21,710		(176,238)	(51,332)
FUND BALANCES - JULY 1	414,905	6,125		182,399	603,429
FUND BALANCES - JUNE 30	\$ 518,101	\$ 27,835	\$ 0	\$ 6,161	\$ 552,097

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

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON COUNTY, ARKANSAS

Exhibit C

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

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes	\$ 340,900	\$ 267,449	\$ (73,451)
State assistance	1,463,015	1,543,069	80,054
Federal assistance	132,373	240,492	108,119
Activity revenues		19,921	19,921
Meal sales		25,682	25,682
Interest on investments	12,500	6,673	(5,827)
Other revenues	2,000	6,904	4,904
	<u>1,950,788</u>	<u>2,110,190</u>	<u>159,402</u>
EXPENDITURES			
Regular programs	829,181	768,149	61,032
Special education	145,706	155,072	(9,366)
Workforce education	140,824	132,812	8,012
Other instructional programs	17,383	16,583	800
Support services	715,476	751,696	(36,220)
Non-programmed costs	22,000	35,714	(13,714)
Activity expenditures		23,320	(23,320)
Capital outlay	178,511	295,876	(117,365)
Debt service:			
Principal retirement	83,417	68,417	15,000
Interest and fiscal charges	74,396	73,883	513
	<u>2,206,894</u>	<u>2,321,522</u>	<u>(114,628)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(256,106)</u>	<u>(211,332)</u>	<u>44,774</u>
OTHER FINANCING SOURCES (USES)			
Transfers in		189,636	189,636
Transfers out		(189,636)	(189,636)
Value of capital lease		160,000	160,000
		<u>160,000</u>	<u>160,000</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(256,106)</u>	<u>(51,332)</u>	<u>204,774</u>
FUND BALANCES - JULY 1	<u>587,304</u>	<u>603,429</u>	<u>16,125</u>
FUND BALANCES - JUNE 30	<u>\$ 331,198</u>	<u>\$ 552,097</u>	<u>\$ 220,899</u>

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

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON 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 St. Paul 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.

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON 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. Interest costs incurred during the period of construction are not capitalized.

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.

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 2: Commitments

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

Construction Contracts		
Project Name	Estimated Completion Date	Contract Balance
Cafeteria Building	June 30, 2003	\$ 79,346

NOTE 3: 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 4: 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	292,886	438,651
Total Deposits	\$ 392,886	\$ 538,651

The above total deposits do not include cash on hand in the amount of \$200.

NOTE 5: Changes in General Fixed Assets

	Balance July 1, 2001	Additions	Deletions	Balance June 30, 2002
Land	\$ 73,526			\$ 73,526
Buildings	1,561,706	\$ 11,283		1,572,989
Improvements other than buildings	57,446	4,055		61,501
Equipment	772,488	3,251	\$ 16,500	759,239
Construction in progress	52,819	280,538		333,357
Totals	\$ 2,517,985	\$ 299,127	\$ 16,500	\$ 2,800,612

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

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, 2002	Maturities To June 30, 2002
11/01/99	06/30/22	5.00 to 5.70%	\$ 1,155,000	\$ 1,115,000	\$ 40,000
06/14/96	05/01/04	7.00%	100,000	25,000	75,000
02/02/98	11/15/05	5.50%	79,325	43,397	35,928
09/04/98	09/04/08	5.30%	43,198	30,568	12,630
09/01/00	12/01/07	6.99%	45,682	34,674	11,008
04/23/01	12/23/08	5.85%	44,510	39,256	5,254
06/24/02	06/24/10	4.93%	160,000	160,000	0
			<u>\$ 1,627,715</u>	<u>\$ 1,447,895</u>	<u>\$ 179,820</u>

NOTE 7: Changes in Long-term Debt

	Balance July 1, 2001	Issued	Retired	Balance June 30, 2002
Bonds payable	\$ 1,140,000		\$ 25,000	\$ 1,115,000
Certificates of indebtedness	45,310		20,310	25,000
Capital leases	171,002	\$ 160,000	23,107	307,895
Totals	<u>\$ 1,356,312</u>	<u>\$ 160,000</u>	<u>\$ 68,417</u>	<u>\$ 1,447,895</u>

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

Year Ended June 30,	Principal	Interest	Total
2003	\$ 82,894	\$ 78,646	\$ 161,540
2004	90,103	74,208	164,311
2005	79,934	69,394	149,328
2006	87,394	65,184	152,578
2007	77,611	60,587	138,198
To Maturity	<u>1,029,959</u>	<u>481,018</u>	<u>1,510,977</u>
Totals	<u>\$ 1,447,895</u>	<u>\$ 829,037</u>	<u>\$ 2,276,932</u>

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 8: Capital Leases

The District has executed the following capital leases:

	June 30, 2002
Total Minimum Lease Payments	\$ 376,112
Less: Amount Representing Interest	68,217
Total Present Value of Net Minimum Lease Payments	\$ 307,895

NOTE 9: 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 \$127,211, \$119,222 and \$114,545, respectively.

ST. PAUL SCHOOL DISTRICT NO. 48
MADISON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE 9: Retirement Plans (Continued)

Arkansas Public Employees Retirement System

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

Funding Policy. PERS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2002, 2001 and 2000 were \$683, \$1,180 and \$1,576, respectively, equal to the required contributions for each year.