

Swifton School District No. 33

Jackson County, Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE



SWIFTON SCHOOL DISTRICT NO. 33
JACKSON COUNTY, ARKANSAS
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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

INDEPENDENT AUDITOR'S REPORT

Swifton School District No. 33 and School Board Members
Legislative Joint Auditing Committee

We have audited the accompanying general purpose financial statements of the Swifton School District No. 33 (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.

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, 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 August 1, 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.

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 1, 2002
EDSD18601

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

Swifton School District No. 33 and School Board Members
Legislative Joint Auditing Committee

We have audited the general purpose financial statements of the Swifton School District No. 33 (the "District") as of and for the year ended June 30, 2001, and have issued our report thereon dated August 1, 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 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 numbers 1 and 2 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. The District's bank account was not properly reconciled. The failure to reconcile the bank account caused a bank error not to be detected in a timely manner. A check written for \$1,315.77 on July 31, 2000 cleared the bank account as \$13,157.74 on August 2, 2000. The bank error of \$11,841.97 was not corrected until July 11, 2001. The year-end bank reconciliation also reflected voided checks of \$3,789.69 as outstanding. These checks were not adjusted in the general ledger until our audit fieldwork. Additionally, receipts for certain months were not posted to the general ledger individually, but posted as one total. This caused various revenues to be recorded without the proper receipt reference. The District did not report any budgeted revenues for the year ended June 30, 2001 on the annual financial report and budget submitted to the Arkansas Department of Education. Management is responsible for the maintenance of accurate financial records.

Certain of these deficiencies were reported in the previous audit.

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
August 1, 2002

SWIFTON SCHOOL DISTRICT NO. 33

Exhibit A

JACKSON COUNTY, ARKANSAS

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

JUNE 30, 2001

	Governmental Fund Types			Fiduciary	Account Groups		Totals
	General	Special Revenue	Debt Service	Trust and Agency	General Fixed Assets	General Long-Term Debt	(Memorandum Only)
ASSETS							
Cash	\$ 175,482	\$ 12,649	\$ 213	\$ 18,671			\$ 207,015
Investments	440,883						440,883
Accounts receivable	11,120	697					11,817
Land					\$ 39,693		39,693
Buildings					1,579,937		1,579,937
Improvements other than buildings					4,298		4,298
Equipment					209,848		209,848
Amount available in debt service funds						\$ 213	213
Amount to be provided for retirement of general long-term debt						715,103	715,103
TOTAL ASSETS	\$ 627,485	\$ 13,346	\$ 213	\$ 18,671	\$ 1,833,776	\$ 715,316	\$ 3,208,807
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 12,672	\$ 1,532		\$ 3,812			\$ 18,016
Due student groups				14,859			14,859
Bonds payable						\$ 500,958	500,958
Certificates of indebtedness						14,400	14,400
Postdated warrants						138,008	138,008
Capital leases						32,286	32,286
Installment contracts						29,664	29,664
Total Liabilities	12,672	1,532		18,671		715,316	748,191

SWIFTON SCHOOL DISTRICT NO. 33

Exhibit A

JACKSON 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	
LIABILITIES AND FUND EQUITY (CONTINUED)							
Fund Equity:							
Investment in general fixed assets					\$ 1,833,776		\$ 1,833,776
Fund balances:							
Unreserved:							
Designated:							
Debt service			\$ 213				213
Undesignated	\$ 614,813	\$ 11,814					626,627
Total Fund Equity	<u>614,813</u>	<u>11,814</u>	<u>213</u>		<u>1,833,776</u>		<u>2,460,616</u>
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 627,485</u>	<u>\$ 13,346</u>	<u>\$ 213</u>	<u>\$ 18,671</u>	<u>\$ 1,833,776</u>	<u>\$ 715,316</u>	<u>\$ 3,208,807</u>

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

SWIFTON SCHOOL DISTRICT NO. 33
 JACKSON COUNTY, ARKANSAS
 COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES - GOVERNMENTAL FUND TYPES
 FOR THE YEAR ENDED JUNE 30, 2001

Exhibit B

	General	Special Revenue	Debt Service	Totals (Memorandum Only)
REVENUES				
Property taxes	\$ 325,098			\$ 325,098
State assistance	1,212,016	\$ 1,277		1,213,293
Federal assistance		192,995		192,995
Activity revenues	45,183			45,183
Meal sales		24,825		24,825
Interest on investments	40,442			40,442
Other revenues	26,741	14,446		41,187
TOTAL REVENUES	1,649,480	233,543		1,883,023
EXPENDITURES				
Regular programs	765,440	26,209		791,649
Special education	46,491	23,947		70,438
Workforce education	72,222			72,222
Compensatory education		87,261		87,261
Other instructional programs	52,615			52,615
Support services	553,641	93,932		647,573
Activity expenditures	54,235			54,235
Debt service:				
Principal retirement	37,688		\$ 35,000	72,688
Interest and fiscal charges	13,432		21,395	34,827
TOTAL EXPENDITURES	1,595,764	231,349	56,395	1,883,508
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	53,716	2,194	(56,395)	(485)
OTHER FINANCING SOURCES (USES)				
Transfers in			56,395	56,395
Transfers out	(56,395)			(56,395)
TOTAL OTHER FINANCING SOURCES (USES)	(56,395)		56,395	0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(2,679)	2,194		(485)
FUND BALANCES - JULY 1	617,492	9,620	213	627,325
FUND BALANCES - JUNE 30	\$ 614,813	\$ 11,814	\$ 213	\$ 626,840

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

SWIFTON SCHOOL DISTRICT NO. 33
JACKSON 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, 2001

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Property taxes		\$ 325,098	\$ 325,098
State assistance		1,213,293	1,213,293
Federal assistance		192,995	192,995
Activity revenues		45,183	45,183
Meal sales		24,825	24,825
Interest on investments		40,442	40,442
Other revenues		41,187	41,187
 TOTAL REVENUES		1,883,023	1,883,023
 EXPENDITURES			
Regular programs	\$ 618,276	791,649	(173,373)
Special education	50,097	70,438	(20,341)
Workforce education	60,625	72,222	(11,597)
Compensatory education	89,159	87,261	1,898
Other instructional programs	50,149	52,615	(2,466)
Support services	547,242	647,573	(100,331)
Activity expenditures		54,235	(54,235)
Debt service:			
Principal retirement		72,688	(72,688)
Interest and fiscal charges	64,000	34,827	29,173
 TOTAL EXPENDITURES	1,479,548	1,883,508	(403,960)
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,479,548)	(485)	1,479,063
 OTHER FINANCING SOURCES (USES)			
Transfers in		56,395	56,395
Transfers out		(56,395)	(56,395)
 TOTAL OTHER FINANCING SOURCES (USES)		0	0
 EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,479,548)	(485)	1,479,063
 FUND BALANCES - JULY 1	618,921	627,325	8,404
 FUND BALANCES - JUNE 30	\$ (860,627)	\$ 626,840	\$ 1,487,467

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

SWIFTON SCHOOL DISTRICT NO. 33
JACKSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

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 Swifton 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.

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.

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.

SWIFTON SCHOOL DISTRICT NO. 33
JACKSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2001

NOTE 1: Summary of Significant Accounting Policies (Continued)

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. 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.

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.

SWIFTON SCHOOL DISTRICT NO. 33
 JACKSON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

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	107,015	147,366
Total Deposits	\$ 207,015	\$ 247,366

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	\$ 440,883	\$ 0	\$ 0	\$ 440,883	\$ 440,883

NOTE 5: Changes in General Fixed Assets

	Balance July 1, 2000	Additions	Deletions	Reclassi- fications	Balance June 30, 2001
Land	\$ 39,693				\$ 39,693
Buildings	1,579,937				1,579,937
Improvements other than buildings	4,298				4,298
Equipment	205,315	\$ 4,533			209,848
Totals	\$ 1,829,243	\$ 4,533	\$ 0	\$ 0	\$ 1,833,776

SWIFTON SCHOOL DISTRICT NO. 33
 JACKSON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

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, 2001	Maturities To June 30, 2001
12/1/98	2/1/12	3.6 - 4.125%	\$ 570,958	\$ 500,958	\$ 70,000
6/13/96	11/1/03	7%	38,450	14,400	24,050
4/15/99	4/15/07	5.5%	175,000	138,008	36,992
4/23/99	4/23/04	4.999%	51,300	32,286	19,014
4/26/99	4/26/07	5%	37,754	29,664	8,090
Totals			<u>\$ 873,462</u>	<u>\$ 715,316</u>	<u>\$ 158,146</u>

NOTE 7: Changes in Long-term Debt

	Balance July 1, 2000	Issued	Retired	Balance June 30, 2001
Bonds payable	\$ 535,958		\$ 35,000	\$ 500,958
Certificates of indebtedness	19,210		4,810	14,400
Postdated warrants	156,999		18,991	138,008
Capital leases	42,028		9,742	32,286
Installment contracts	33,809		4,145	29,664
Totals	<u>\$ 788,004</u>	<u>\$ 0</u>	<u>\$ 72,688</u>	<u>\$ 715,316</u>

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

Year Ended June 30,	Principal	Interest	Total
2002	\$ 75,383	\$ 31,063	\$ 106,446
2003	81,266	27,556	108,822
2004	83,204	23,782	106,986
2005	68,577	20,198	88,775
2006	75,126	17,109	92,235
To Maturity	<u>331,760</u>	<u>45,948</u>	<u>377,708</u>
Totals	<u>\$ 715,316</u>	<u>\$ 165,656</u>	<u>\$ 880,972</u>

SWIFTON SCHOOL DISTRICT NO. 33
 JACKSON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2001

NOTE 8: Capital Leases

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2001
Buses	<u>\$ 51,300</u>
	<u>June 30, 2001</u>
Total Minimum Lease Payments	\$ 35,169
Less: Amount Representing Interest	<u>2,883</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 32,286</u>

NOTE 9: Retirement Plan

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 \$99,173, \$100,870 and \$91,621, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2001, 2000 and 1999 were \$7,811, \$7,717 and \$4,831, respectively, equal to the required contributions for each year.