

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

AUDIT REPORT

OUACHITA VOCATIONAL TECHNICAL SCHOOL

MALVERN, ARKANSAS

JUNE 30, 1990 AND 1989

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[TRANSFERRED TO THE DEPARTMENT OF HIGHER EDUCATION EFFECTIVE JULY 1, 1991]

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MALVERN, ARKANSAS
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BACKGROUND

The State Board for Vocational Education was created under the provisions of Act 328 of 1957 for the purpose of establishing in various sections of Arkansas, secondary level schools specializing in vocational technical training. Efforts of the institutions were to be directed toward specialized training of students of high school age and as a service to the community in the area of adult education.

The vocational technical schools are governed by the State Board for Vocational Education. An Advisory Council to the Board is appointed by the Governor. Appointment to the Advisory Council is for a two-year term subject to reappointment. Composition of the Council is to be citizens representative of agriculture, industry, labor, business and homemaking; with the purpose of promoting interest in vocational technical schools.



Arkansas

JACK A. GIBSON, SENATOR
CHAIRMAN

J. STURGIS MILLER, REPRESENTATIVE
VICE CHAIRMAN

CHARLES L. ROBINSON, CPA
LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Ouachita Vocational Technical School
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the Ouachita Vocational Technical School as of June 30, 1990 and 1989, and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of School management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit(s) in accordance with generally accepted auditing standards and 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 audits provide a reasonable basis for our opinion.

The School does not prepare a complete budget of revenues and expenditures; therefore, a Combined Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - All Governmental Fund Types has been omitted in the accompanying financial statements. In our opinion, disclosure of this information is required by generally accepted accounting principles.

As described more fully in Note 2, the prior year's financial statements are presented in summary form, and, therefore, are not in accordance with generally accepted accounting principles.

In our opinion, except for the effects of not presenting complete budget information, and except for the effects of presenting the June 30, 1989, financial statements in summary form only, the accompanying financial statements present fairly, in all material respects, the financial position of the Ouachita Vocational Technical School as of June 30, 1990 and 1989, and the results of its operations for the years then ended, in conformity with generally accepted accounting principles.

Our examination was made for the purpose of forming an opinion on the 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 financial statements of the Ouachita Vocational Technical School. The information has been subjected to the auditing procedures applied in the examination of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA
Legislative Auditor

Little Rock, Arkansas
April 4, 1991
EDVT55890



Arkansas

JACK A. GIBSON, SENATOR
CHAIRMAN

J. STURGIS MILLER, REPRESENTATIVE
VICE CHAIRMAN

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LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

MANAGEMENT LETTER

Ouachita Vocational Technical School
Legislative Joint Auditing Committee

The underlying purpose of this management letter is to convey certain observations and recommendations regarding internal control structure, and state and federal compliance matters, in conjunction with our audit of the Ouachita Vocational Technical School. 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), and the Single Audit Act of 1984. Section I of this letter is designed in part to satisfy current federal requirements as well as serving its primary purpose of communicating with management certain matters regarding internal control structure, including controls used in administering federal financial assistance programs, and state compliance. Section II is specifically designed to satisfy current federal audit requirements relating to compliance with laws and regulations in cases where federal financial assistance has been received.

SECTION I: REPORT ON INTERNAL CONTROL STRUCTURE, INCLUDING CONTROLS USED IN ADMINISTERING FEDERAL FINANCIAL ASSISTANCE PROGRAMS, AND STATE COMPLIANCE MATTERS

We have audited the financial statements of the Ouachita Vocational Technical School (the "Agency") as of and for the years ended June 30, 1990 and 1989, and have issued our report thereon dated April 4, 1991.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-128, Audits of State and Local Governments. Those standards and OMB Circular A-128 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

In planning and performing our audit of the financial statements of the Agency for the years ended June 30, 1990 and 1989, we considered its internal control structure, including controls used in complying with state code and constitutional provisions, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

During the years ended June 30, 1990 and 1989, the Agency had no major federal financial assistance programs and expended 87 percent and 89 percent, respectively, of its total federal financial assistance under certain nonmajor federal financial assistance programs as indicated on the accompanying summary of federally assisted programs. As required by OMB Circular A-128, our consideration of the internal control structure also included:

1. Tests of controls to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the nonmajor programs referred to above. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.
2. Obtaining an understanding of (a) the design of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to the other nonmajor federal financial assistance programs and (b) whether they have been placed in operation.

The management of the Agency is responsible for complying with state code, constitutional provisions and regulations and for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal financial assistance programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

For the purpose of this report, we have classified the significant applicable internal control structure policies and procedures in the following categories: (a) accounting applications - cash receipts, cash disbursements, accounts receivable, purchasing, receiving, accounts payable, payrolls, inventory control, fixed assets and general ledger; (b) general requirements - political activity, Davis-Bacon Act, civil rights, cash management, relocation assistance and real property acquisition, and federal financial reports; and (c) specific requirements - types of services, eligibility, matching, level of effort, earmarking, reporting, cost allocation, special requirements, if any, monitoring subrecipients, and claims for advances and reimbursements.

Our consideration of the internal control structure included all of the applicable control categories listed above. The purpose of our consideration of the internal control structure was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the financial statements.

Additionally, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of state code, constitution and regulations. However our objective was not to provide an opinion on overall compliance with such provisions.

As the result of our audit tests, we noted certain material instances of noncompliance or certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants.

Material instances of noncompliance are failures to follow requirements or violations of prohibitions, contained in state law, constitution or regulation that cause us to conclude that the aggregation of the misstatements resulting from those failures or violations is material to the financial statements. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements or to administer federal financial assistance programs in accordance with applicable laws and regulations.

The Agency had inadequate control over cash transactions because of insufficient segregation of duties due to a limited number of personnel; accordingly, we recommend that segregation of duties relating to cash transactions be established to the extent possible.

A material weakness is a reportable condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited or that noncompliance with laws and regulations that would be material to a federal financial assistance program 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe finding number 1 above is a material weakness.

We also noted other matters involving compliance and the internal control structure and its operation that we have reported to the management of the Agency in a separate letter.

We considered any material instances of noncompliance in forming our opinion on whether the 1990 and 1989 financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated April 4, 1991 on those financial statements.

Except as described above, the results of our tests of compliance indicate that, with respect to the items tested, the Agency complied, in all material respects, with applicable provisions of state code, constitution and regulations, and with respect to items not tested, nothing came to our attention that caused us to believe that the Agency had not complied, in all material respects, with those provisions.

SECTION II: REPORTS ON FEDERAL GRANT COMPLIANCE MATTERS

A: COMPLIANCE REPORT BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

We have audited the financial statements of Ouachita Vocational Technical School (the "Agency"), as of and for the years ended June 30, 1990 and 1989, and have issued our report thereon dated April 4, 1991.

We conducted our audit in accordance with generally accepted auditing standards and 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.

Compliance with laws, regulations, contracts and grants applicable to the Agency is the responsibility of the Agency's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts and grants. However, our objective was not to provide an opinion on overall compliance with such provisions.

The results of our tests indicate that, with respect to the items tested, the Agency complied, in all material respects, except as reported in Section II B with the provisions referred to in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Agency had not complied, in all material respects, with those provisions.

B. SINGLE AUDIT REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO NONMAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM TRANSACTIONS

In connection with our audit of the June 30, 1990 and 1991 financial statements of the Ouachita Vocational Technical School (the "Agency"), and with our study and evaluation of the Agency's internal control systems used to administer federal financial assistance programs, as required by Office of Management and Budget Circular A-128, Audits of State and Local Governments, we selected certain transactions applicable to certain nonmajor federal financial assistance programs for the years ended June 30, 1990 and 1989.

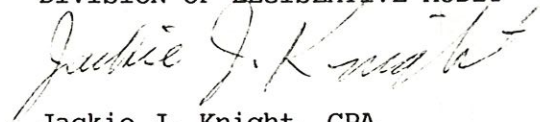
As required by OMB Circular A-128, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed; eligibility; and any special tests or provisions identified in federal grants or publications that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Agency's compliance with these requirements. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of those procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Agency had not complied, in all material respects, with those requirements.

These reports are intended for the information of the Legislative Joint Auditing Committee, state executive and oversight management, agency management, the cognizant federal audit agency and other federal audit agencies. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

An exit conference was held on April 4, 1991 with Director Earl Clevenger and Finance Director Robert Jones.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script, reading "Jackie J. Knight".

Jackie J. Knight, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
April 4, 1991

QUACHITA VOCATIONAL TECHNICAL SCHOOL
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP(S)
JUNE 30, 1990

	Governmental Fund Types			Fiduciary Fund Type	Account Group General Fixed Assets	Totals (Memorandum Only)	
	General	Special Revenue	Capital Project			June 30, 1990	June 30, 1989
ASSETS							
Cash on hand and in bank	\$ 82,155.48	\$ 285.50		\$ 5,636.44		\$ 88,077.42	\$ 37,806.55
Cash in state treasury			\$ 88.06			88.06	20.00
Investments	31,109.59					31,109.59	87,348.81
Accounts receivable	25,051.81					25,051.81	33,867.38
Inventories	46,321.30					46,321.30	32,163.12
Prepaid expense	2,069.72					2,069.72	2,516.22
Accounts receivable – interest	434.68					434.68	1,775.69
Interfund receivables							12,901.35
Amount to be provided – future appropriation		2,353.11				55,079.29	60,038.67
Land	52,726.18				\$ 125,000.00	125,000.00	125,000.00
Buildings					1,364,795.62	1,364,795.62	1,364,795.62
Improvements other than buildings					46,899.07	46,899.07	46,899.07
Equipment					1,201,047.98	1,201,047.98	1,146,811.10
Equipment on loan from Federal Government					83,824.00	83,824.00	83,824.00
Library holdings					1,969.49	1,969.49	1,969.49
TOTAL ASSETS	\$ 239,868.76	\$ 2,638.61	\$ 88.06	\$ 5,636.44	\$ 2,823,536.16	\$ 3,071,768.03	\$ 3,037,737.07
LIABILITIES AND FUND EQUITY							
Liabilities:							
Accounts payable	\$ 1,349.34					\$ 1,349.34	\$ 14,092.37
Prepaid tuition	540.00					540.00	
Due to student groups				\$ 5,636.44		5,636.44	5,547.67
Deferred compensated absences payable	52,348.08	\$ 2,353.11				54,701.19	58,826.30
Interfund payables							12,901.35
Total Liabilities	54,237.42	2,353.11		5,636.44		62,226.97	91,367.69

OUACHITA VOCATIONAL TECHNICAL SCHOOL
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUP(S)
JUNE 30, 1990

	Governmental Fund Types			Fiduciary Fund Type	Account Group		Totals	
	General	Special Revenue	Capital Project		General	Fixed Assets	(Memorandum Only)	
							June 30, 1990	June 30, 1989
LIABILITIES AND FUND EQUITY (Cont.)								
Fund Equity:								
Investment in general fixed assets								
Fund balances:								
Reserved for inventories	\$ 46,321.30					46,321.30		32,163.12
Reserved for prepaid expenses	2,069.72					2,069.72		2,516.22
Undesignated	137,240.32	\$ 88.06				137,613.88		142,390.76
Total Fund Equity	185,631.34	285.50	88.06			3,009,541.06		2,946,369.38
		285.50	88.06			2,823,536.16		
TOTAL LIABILITIES AND FUND EQUITY	\$ 239,868.76	\$ 2,638.61	\$ 88.06	\$ 5,636.44	\$ 2,823,536.16		\$ 3,071,768.03	\$ 3,037,737.07

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

OUACHITA VOCATIONAL TECHNICAL SCHOOL
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1990

	Governmental Fund Types			Totals (Memorandum Only) Year Ended	
	General	Special Revenue	Capital Projects	June 30, 1990	June 30, 1989
REVENUES					
Student fees	\$ 69,051.40			\$ 69,051.40	\$ 62,875.57
Resale items	59,422.77			59,422.77	65,631.73
Interest income	3,582.32			3,582.32	7,252.79
Food services sales	22,378.90			22,378.90	27,609.40
Agency receipts	27,439.11			27,439.11	78,086.82
Miscellaneous	9,863.04	\$ 16.00		9,879.04	8,041.53
State assistance	1,234,473.55		\$ 25,000.00	1,259,473.55	1,294,092.12
Federal assistance	2,000.00	294,348.39		296,348.39	380,247.67
	1,428,211.09	294,364.39	25,000.00	1,747,575.48	1,923,837.63
TOTAL REVENUES					
EXPENDITURES					
Administration	254,978.29	4,811.21		259,789.50	269,299.48
Extension services	5,264.73			5,264.73	2,521.12
Related services	57,649.72			57,649.72	50,019.82
Office practices	71,976.62	13,437.88		85,414.50	78,194.69
Data processing	29,815.08			29,815.08	24,591.08
Health occupations	36,570.47	14,745.85		51,316.32	40,517.50
Welding	44,171.91			44,171.91	43,871.81
Displaced homemakers					9,668.50
Auto mechanics	46,389.19	187.93		46,577.12	67,791.15
Diesel mechanics	39,287.21	1,291.52		40,578.73	40,808.23
Air conditioning/refrigeration	36,690.93			36,690.93	33,370.70
Small engine repair	81.00			81.00	837.42
Machine shop	36,027.68			36,027.68	37,324.14
Electronics	34,055.38			34,055.38	38,879.67
Food management	38,853.31			38,853.31	35,148.38
Displaced workers	8,682.12	11,770.21		20,452.33	54,905.71
Building trades	321.47	9,611.35		9,932.82	436.89

OUACHITA VOCATIONAL TECHNICAL SCHOOL
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1990

	Governmental Fund Types			Totals (Memorandum Only)	
	General	Special Revenue	Capital Projects	Year Ended	
				June 30, 1990	June 30, 1989
EXPENDITURES (Continued)					
Truck driving	\$ 31,423.20			\$ 31,423.20	\$ 36,007.04
ABE/GED	46,734.51	\$ 1.83		46,736.34	46,069.79
Adult basic education	2,017.39	34,309.96		36,327.35	39,042.73
Employability		25,269.34		25,269.34	25,276.13
Disadvantaged and handicapped		15,179.34		15,179.34	11,394.18
Capital outlay			\$ 24,931.94	24,931.94	67,980.00
Buildings and grounds maintenance	221,375.13			221,375.13	200,244.37
Student transportation	25,650.91			25,650.91	60,283.05
Supply store	83,211.89			83,211.89	98,190.13
Guidance	88,919.19	8,458.96		97,378.15	102,447.62
Activity	4,422.17			4,422.17	3,669.98
High school - instructional administration	14,115.85			14,115.85	13,211.67
High school - administration					1,247.31
High school - welding	37,218.98			37,218.98	34,430.38
High school - auto mechanics	31,168.60	285.94		31,454.54	48,387.08
High school - small engine repair	27,621.04			27,621.04	24,116.74
High school - cosmetology	29,773.01			29,773.01	46,362.76
High school - building trades	31,684.62			31,684.62	30,984.04
High school - buildings and grounds maintenance					5,401.34
Facility construction		118,194.50		118,194.50	61,816.33
Capital lease principal					24,000.00
Federal student aid					118,983.00
TOTAL EXPENDITURES	1,416,151.60	257,555.82	24,931.94	1,698,639.36	1,927,731.96
EXCESS OF REVENUES OVER EXPENDITURES	12,059.49	36,808.57	68.06	48,936.12	(3,894.33)

OUACHITA VOCATIONAL TECHNICAL SCHOOL
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1990

	Governmental Fund Types			Totals (Memorandum Only) Year Ended	
	General	Special Revenue	Capital Projects	June 30, 1990	June 30, 1989
OTHER FINANCING SOURCES (USES)					
Unexpended appropriation returned	\$ (11,619.64)	\$ (23,422.30)		\$ (35,041.94)	\$ (66,579.51)
Net change - future appropriations	(3,979.61)	(979.77)		(4,959.38)	5,959.65
Transfer in	12,500.00			12,500.00	12,500.00
Transfer out		(12,500.00)		(12,500.00)	(12,500.00)
TOTAL OTHER FINANCING SOURCES (USES)	(3,099.25)	(36,902.07)		(40,001.32)	(60,619.86)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	8,960.24	(93.50)	\$ 68.06	8,934.80	(64,514.19)
FUND BALANCE, JULY 1	176,671.10	379.00	20.00	177,070.10	241,584.29
FUND BALANCE, JUNE 30	\$ 185,631.34	\$ 285.50	\$ 88.06	\$ 186,004.90	\$ 177,070.10

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

OUACHITA VOCATIONAL TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 1: Summary of Significant Accounting Policies

A. Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. 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 special assessments, expendable trusts, or major capital projects) that are legally restricted to expenditures for specific purposes.

Capital Project Funds - Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds, Special Assessment Funds and Trust Funds).

Account Group

General Fixed Assets Account Group - This group of accounts is established to account for all fixed assets of the School, other than those accounted for in the proprietary funds and trust funds.

OUACHITA VOCATIONAL TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting

Basis of Accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. All governmental funds and expendable trust funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Available means collectible within the current period or soon enough thereafter to pay current liabilities. Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Exceptions to the general rule include: (1) payroll and related matching costs which are not accrued at year-end, with such treatment being a consistent practice in state accounting procedures and whereby having an immaterial effect on any given year's operation; and (2) principal and interest on General Long-Term Debt which is recognized when due. The accrual basis of accounting is followed in all Proprietary Funds, Nonexpendable Trust and Pension Trust Funds. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

C. General Fixed Assets

General fixed assets purchased are recorded as expenditures at the time of purchase. Such assets are capitalized at cost in the general fixed assets group of accounts. Gifts or contributions are generally recorded in the general fixed assets group of accounts at fair market value at the time received. No depreciation has been provided on general fixed assets.

D. Investments

Investments are generally stated at cost.

E. Prepaid Expenses

Prepaid expenses generally represent the cost of consumable supplies on hand or unexpired services at year-end.

F. Deferred Compensated Absences

Deferred Compensated Absences Payable represents the accrual of a liability for employees' rights to receive compensation for future absences. Accumulated unpaid annual leave is accrued at the employee's daily pay rate up to a maximum of 30 days.

OUACHITA VOCATIONAL TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Equity

Fund Balance -

1. Reserved Fund Balance indicates that portion of fund equity which has been legally segregated or reserved for specific purposes.
2. Undesignated Fund Balance indicates that portion of fund equity not reserved or designated.

NOTE 2: Memorandum Totals

Combined financial statements of fund types and account groups have a "total" column that aggregates the columnar statements by fund type and account group. The total column is captioned "Memorandum Only" because the total column on a combined financial statement is not comparable to a consolidation.

NOTE 3: Capital Improvement Revenue Bonds

Capital Improvement Revenue Bonds in the amount of \$1,115,000.00 were issued by the State Board of Vocational Education of the State of Arkansas, dated August 15, 1985 as Series 1985 Series A with interest payable semiannually on February 15 and August 15 of each year beginning February 15, 1986 with principal payments due each August 15 beginning August 15, 1986. This issue was refunded in 1988.

The Ouachita Vocational Technical School is responsible for fourteen and two-tenths percent (14.2%) of the debt incurred and the interest thereon. The principal and interest payments due for each of the next five (5) years are reflected below:

1990-91	\$23,841.10
1991-92	\$23,841.10
1992-93	\$23,841.10
1993-94	\$23,841.10
1994-95	\$23,841.10

NOTE 4: Public Fund Deposits and Investments

Cash deposits are carried at cost. The School's cash deposits at year-end are shown below:

	Carrying Amount	Bank Balance
Insured (FDIC/FSLIC)	\$ 88,077.42	\$ 94,177.39

OUACHITA VOCATIONAL TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 4: Public Fund Deposits and Investments (Continued)

Investments are generally stated at cost or amortized cost, if purchased, and at fair market value at the date of the gift, if donated. Carrying amounts of investments are not adjusted for fluctuations in value considered to be temporary. The School's investments at year-end are shown below by category to give an indication of the level of risk assumed by the School. Category 1 includes investments that are insured or registered or for which the securities are held by the School or its agent in the School's name.

Type of Investment	Category			Carrying Amount	Market Value
	1	2	3		
Certificates of Deposit	\$ 31,109.59	\$.00	\$.00	\$ 31,109.59	\$.00

NOTE 5: Changes in General Fixed Assets

A summary of changes in general fixed assets is as follows:

	Balance July 1, 1989	Additions	Deletions	Reclassi- fications	Balance June 30, 1990
Land	\$ 125,000.00				\$ 125,000.00
Buildings	1,364,795.62				1,364,795.62
Improvements other than buildings	46,899.07				46,899.07
Equipment	1,146,811.10	\$ 105,476.59	\$ 51,239.71		1,201,047.98
Equipment on loan from Federal Government	83,824.00				83,824.00
Library holdings	1,969.49				1,969.49
Total	<u>\$2,769,299.28</u>	<u>\$ 105,476.59</u>	<u>\$ 51,239.71</u>	<u>\$.00</u>	<u>\$2,823,536.16</u>

NOTE 6: Presentation of Financial Statements

The accompanying financial statements do not conform in all respects with generally accepted accounting principles to the extent that the June 30, 1989 financial statements are presented in summary form and do not reflect the individual fund and account data of the various fund types and account groups.

NOTE 7: Interfund Receivables/Payables

These amount represent short-term loans which will be repaid in the succeeding fiscal year.

OUACHITA VOCATIONAL TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 8: Retirement Plans

A. Plan Description

The School participates in two (2) retirement plans, one of which is Arkansas Teacher Retirement System which is a state-operated cost-sharing multiple employer retirement system. This system originally covered virtually all the employees of the School. By Act 480 of 1983 an alternate retirement plan was established for staff members of the vocational-technical schools. This alternate plan is a 403(b) program as defined by IRS Code of 1954 as amended, and is administered by various approved carriers authorized by the Board of Vocational Technical Education. These carriers provide the insurance policies or annuity contracts and when they are issued they become the property of the participants. Employee contributions are tax-sheltered and amount to 6% of compensation, and the School contributes 12%. Participants become vested after one year. The School's payroll for employees covered by the alternate plan for the year ended June 30, 1990 was \$713,888.53 and the total School payroll for all employees was \$864,996.53.

B. Arkansas Teacher Retirement System

The amount of the employer's current-year covered payroll is \$3,492.53. Total payroll for all employees is \$864,996.53. Contributions are required as follows:

The State of Arkansas contributes 12% of all covered employees salaries except employees whose salaries are funded by federal programs administered by the School.

Federal government contributes 12% of all covered employees salaries paid from federally funded programs administered by the School.

No contributions from the School are required.

Contributions required from the State	<u>\$419.10</u>
Contributions required from federally funded programs	<u>\$.00</u>

Under certain conditions covered employees may voluntarily contribute 6% of salary.

The above contributions are required under Arkansas Law, Title 24, Chapter 7.

Covered employees include all teachers whose employment requires state certification and any other person employed in a regular or special position, but specifically excludes janitors, bus drivers, cafeteria workers and other non-certified employees until July 1, 1989, when Act 653 of 1989 included all employees under the system.

OUACHITA VOCATIONAL TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 8: Retirement Plans (Continued)

B. Arkansas Teacher Retirement System (Continued)

The unfunded pension benefit obligation on the statewide plan at June 30, 1989 (most current information available) was \$194,871,000 determined as follows:

	<u>Dollars in Thousands</u>
Pension Benefit Obligation:	
Retirees and beneficiaries currently receiving benefits	\$ 841,709
Terminated employees not yet receiving benefits	24,389
Current employees:	
Accumulated employee contribution	310,314
Employer financed:	
Vested	817,552
Non-vested	<u>221,002</u>
Total Pension Benefit Obligation	2,214,996
Net assets available for benefits, at cost	<u>2,020,095</u>
Unfunded Pension Benefit Obligation	<u>\$ 194,871</u>

The pension benefit obligation, which is the actuarial present value of credited projected benefits, is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date.

The "pension benefit obligation" assesses the plan's funding status on a going-concern basis and is independent of the actuarial funding method used to determine contributions to the plan.

Information relating to historical trends is presented in a separately issued ATRS report and provides information about progress made in accumulating sufficient assets to pay benefits when due.

OUACHITA VOCATIONAL TECHNICAL SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1990

NOTE 8: Retirement Plans (Continued)

B. Arkansas Teacher Retirement System (Continued)

A plan participant may retire at age 60 after 10 years of credited service with an age and service annuity, or after 30 years of credited service regardless of age. Upon early retirement with more than 25 but less than 30 years of credited service and less than age 60, a retiree may receive an age and service annuity reduced by $\frac{5}{12}$ of one percent multiplied by the number of months by which time early retirement precedes the earlier of completion of 30 years service or 60 years of age. An active member, with 10 or more years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity.

For post-retirement increases, each July 1, every member's annuity is adjusted to be equal to his base annuity time 100% plus 3% for each full year in the period from the effective date of his base annuity to the current July 1, provided the cumulative increase in the consumer price index has been at least 3% a year. The base annuity is the amount of the member's annuity on the later of July 1, 1986, or the effective date of retirement, as determined by Act 802 of 1987.

Survivor benefits are also payable upon death of an active member who has five years or more of credited service.

QUACHITA VOCATIONAL TECHNICAL SCHOOL
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND UNEXPENDED BALANCES -
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1990

	Department of Finance and Administration		Unexpended
	Appropriations	Expenditures	Balances
VOCATIONAL TECHNICAL SCHOOLS (EJA)			
QUACHITA - STATE			
ACT 127 OF 1ST SPECIAL SESSION OF 1989			
Regular salaries	\$ 684,094.37	\$ 668,834.42	\$ 15,259.95
Extra help	59,219.00	58,894.96	324.04
Maintenance and general operation	303,093.41	301,709.17	1,384.24
Personal services matching	164,045.64	162,570.17	1,475.47
Overtime	4,982.36	4,982.36	
Conference fees and travel	1,799.19	1,799.18	.01
Capital outlay	25,449.92	24,063.65	1,386.27
FUND TOTAL	1,242,683.89	1,222,853.91	19,829.98
VOCATIONAL TECHNICAL SCHOOL (FVT)			
QUACHITA - FEDERAL			
ACT 127 OF 1ST SPECIAL SESSION OF 1989			
Regular salaries	106,522.54	97,382.02	9,140.52
Extra help	4,200.00	2,930.00	1,270.00
Maintenance and general operation	23,330.82	10,736.03	12,594.79
Personal services matching	30,384.54	25,320.29	5,064.25
Conference fees and travel	1,860.00	156.84	1,703.16
FUND TOTAL	166,297.90	136,525.18	29,772.72
76TH SESSIONS PROJECTS (KBB)			
INSTRUCTIONAL EQUIPMENT - 76TH SESSION			
ACT 236 OF 1ST SPECIAL SESSION OF 1989 [2(B)]			
Instructional equipment	25,000.00	24,931.94	68.06
76TH SESSION PROJECTS (KBB)			
ROOF REPAIR - 76TH SESSION			
ACT 236 OF 1ST SPECIAL SESSION OF 1989 [2(F)]			
Repair	20.00		20.00
FUND TOTAL	25,020.00	24,931.94	88.06

OUACHITA VOCATIONAL TECHNICAL SCHOOL
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND UNEXPENDED BALANCES -
GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED JUNE 30, 1990

	Department of Finance and Administration		Unexpended
	Appropriations	Expenditures	Balances
OUACHITA VOCATIONAL TECHNICAL CASH (188)			
OUACHITA - CASH			
ACT 127 AND 236 [4(D)] OF 1ST SPECIAL SESSION OF 1989			
Regular salaries	\$ 26,297.92	\$ 21,332.77	\$ 4,965.15
Extra help	10,640.00	10,640.00	
Maintenance and general operation	97,985.00	41,657.85	56,327.15
Personal services matching	7,145.28	6,025.85	1,119.43
Construction	.67		.67
Conference fees and travel	7,568.72	4,678.06	2,890.66
Professional fees and services	290.00		290.00
Capital outlay	50,000.00	18,846.36	31,153.64
Resale	145,000.00	96,270.77	48,729.23
Debt retirement	23,842.00	23,841.08	.92
FUND TOTAL	368,769.59	223,292.74	145,476.85
TOTAL APPROPRIATIONS, EXPENDITURES AND UNEXPENDED BALANCES	\$ 1,802,771.38	\$ 1,607,603.77	\$ 195,167.61

OUACHITA VOCATIONAL TECHNICAL SCHOOL
SALARIES, OVERTIME AND EXTRA HELP
FOR THE YEAR ENDED JUNE 30, 1990

Position	Positions Authorized	Grade	Gross Pay
Executive Director Vo-Tech Schools II	1	24	
E. A. Clevenger			\$ 28,492.00
R. W. Moore, Estate of			5,168.94
Educational Assistant Director II	2	21	
R. E. Jones			33,922.05
H. W. Looney			33,676.98
Vocational Technical II	1	99	
T. S. Salisbury			15,052.99
G. A. Ingle			8,980.70
Vocational Counselor			
R. L. Phillips	1	20	25,354.98
Vocational Instructor IV	1	19	
Z. M. Jones			30,646.80
Vocational Instructor III	5	18	120,084.39
Vocational Instructor II	17	17	372,018.44
Building Plant Maintenance Supervisor	1	15	
D. D. Benning			23,689.75
Bookkeeper II/Accounting Assistant II	1	11	
V. J. Neel			18,905.22
Secretary I	4	09	53,526.15
Building/Equipment Maintenance Repairman II	1	07	12,354.49

OUACHITA VOCATIONAL TECHNICAL SCHOOL
SALARIES, OVERTIME AND EXTRA HELP
FOR THE YEAR ENDED JUNE 30, 1990

Position	Positions Authorized	Grade	Gross Pay
Watchman I	1	03	\$ 10,657.69
Extra Help	40		72,464.96
TOTAL			\$ 864,996.53

OUACHITA VOCATIONAL TECHNICAL SCHOOL
INSURANCE AND BONDS
JUNE 30, 1990

Agent and Company	Policy Number	Type of Coverage	Amount of Coverage	Period Covered		Premium Paid In 1990 Fiscal Year	Prepaid Insurance
				From	To		
Liberty Mutual	MM2-190-053519-027	Buildings and contents	\$ 3,067,061.00	07-01-89	07-01-90	\$ 2,539.00	\$.00
New Hampshire	CP0-965-86-60	Business auto	100/300/100	09-22-89	09-22-90	5,690.00	1,309.56
Educational Benefits	N/A	Student accident	10,000.00 blanket medical	09-08-89	09-08-90	3,753.00	741.30
Western Surety	N8282606 and N8282606-1	Notary public bonds and notary errors and omissions - Robert E. Jones, Director of Finance	10,000.00	08-15-89	08-15-99	150.00	18.86
TOTALS						\$ 12,132.00	\$ 2,069.72

OUACHITA VOCATIONAL TECHNICAL SCHOOL
AUDITOR'S COMMENTS ON AUDIT RESOLUTION MATTERS
RELATING TO THE STUDENT FINANCIAL ASSISTANCE PROGRAMS

Schedule 4

The Agency had the following findings and questioned costs from the previous audit report for the two years ended June 30, 1988 dated March 1, 1989.

Questioned Costs

Pell Grant

During the test of the Institution's Coordination of Benefits procedures, we noted two students that apparently had been over awarded. One of the students, however, did not receive the full award and the amount not disbursed was enough to keep him from being overpaid. The other student received more than his total need, and was overpaid \$250.00.

We recommend that the Institution strengthen its internal control procedures in the area of benefit coordination. We also recommend that the Institution recover the overpaid amount.

Action Taken

The Institution made reimbursement to the U. S. Department of Education of \$405.64 (\$250.00 plus interest and administrative charges of \$155.64) on cash fund check number 5306 dated August 15, 1990.

Other Findings

Pell Grant

- (1) The Institution was found to be drawing cash funds for Pell Grant in excess of its anticipated cash requirements for the next 30 days.

We recommend that the Institution review and implement the published Federal Cash management procedures.

- (2) Two instances were noted in our test of Student File Maintenance requirements where the Institution did not obtain Financial Aid Transcripts where it should have.

We recommend that the Institution acquire a Financial Aid Transcript for all students whose records indicate that they had attended another higher educational institution.

Action Taken

The Institution is obtaining Financial/Aid Transcripts for students. Transcripts were obtained for the two instances noted.

OUACHITA VOCATIONAL TECHNICAL SCHOOL
SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
FOR THE YEARS ENDED JUNE 30, 1990 AND JUNE 30, 1989

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	June 30, 1990 Expenditures	June 30, 1989 Expenditures
U.S. Department of Education			
Student Financial Assistance Programs:			
Pell Grant Program	84.063	\$ 118,194.50 (1)	\$ 118,983.00 (1)
Stafford Loans (GLS)			
Passed Through State Department of Education			
Vocational Education:			
Basic Grants to States	84.048	105,051.36	* 183,936.41
Title III - Adult Education	84.002	34,309.96	37,405.38
TOTAL FEDERAL ASSISTANCE		\$ 257,555.82	\$ 340,324.79

* Nonmajor federal financial assistance program for which internal control structure matters were considered and compliance testing was performed.

(1) Loans advanced to students were approximately \$64,400.00 for the year ended June 30, 1990 and approximately \$34,964.98 for the year ended June 30, 1989.

