

Cleveland County School District

Cleveland County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2019



CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2019

Independent Auditor's Report
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Expenditures of Federal Awards	2
Schedule of Findings and Questioned Costs	3
Summary Schedule of Prior Audit Findings	4
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	5

Arkansas



Sen. Jason Rapert
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Rep. DeAnn Vaught
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Cleveland County School District and School Board Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Cleveland County School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions 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 *Governmental 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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2019, or the changes in financial position for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2019, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Capital Assets, and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 6, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
February 6, 2020
EDSD42219

Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Cleveland County School District and School Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the 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, the financial statements of each major governmental fund and the aggregate remaining fund information of the Cleveland County School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated February 6, 2020. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2019, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's regulatory basis financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
February 6, 2020

Arkansas

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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Cleveland County School District and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Cleveland County School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002. Our opinion on each major federal program is not modified with respect to these matters.

The District's response to the noncompliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

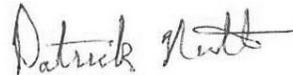
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2019-001 and 2019-002, that we consider to be significant deficiencies.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
February 6, 2020

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2019

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 855,264	\$ 166,187	\$ 1,875,649	\$ 50,894
Investments	441,739			1,818
Accounts receivable	3,550	80,285		
Deposit with paying agent			35,058	
TOTAL ASSETS	\$ 1,300,553	\$ 246,472	\$ 1,910,707	\$ 52,712
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 44,251	\$ 13,154	\$ 63,274	\$ 9,166
Due student groups				30,084
Total Liabilities	44,251	13,154	63,274	39,250
Fund Balances:				
Nonspendable			35,058	
Restricted	380,886	233,318	16,779	13,462
Assigned	76,033		1,795,596	
Unassigned	799,383			
Total Fund Balances	1,256,302	233,318	1,847,433	13,462
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,300,553	\$ 246,472	\$ 1,910,707	\$ 52,712

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

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,296,108		
State assistance	5,075,535	\$ 2,831	
Federal assistance		2,632,062	
Activity revenues	96,817		
Meal sales		51,334	
Investment income	9,863		
Other revenues	68,731	1,702	
TOTAL REVENUES	7,547,054	2,687,929	
EXPENDITURES			
Regular programs	3,433,962	291	
Special education	367,183	117,876	
Career education programs	261,129	2,707	
Compensatory education programs		271,226	
Other instructional programs	116,198		
Student support services	364,239	265,792	
Instructional staff support services	389,103	243,819	
General administration support services	265,819		
School administration support services	408,746	19,933	
Central services support services	316,593	127,643	
Operation and maintenance of plant services	611,199	87,992	\$ 48,147
Student transportation services	471,826	97,529	
Other support services	13,164		
Food services operations	2,080	567,351	
Community services operations	151,645	860,703	
Facilities acquisition and construction services	11,610	72,167	170,004
Activity expenditures	91,218		
Debt Service:			
Principal retirement	71,433		260,000
Interest and fiscal charges	5,927		74,011
TOTAL EXPENDITURES	7,353,074	2,735,029	552,162
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	193,980	(47,100)	(552,162)
OTHER FINANCING SOURCES (USES)			
Transfers in		28,502	362,214
Transfers out	(390,716)		
Value of installment contract	200,135		
TOTAL OTHER FINANCING SOURCES (USES)	(190,581)	28,502	362,214
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,399	(18,598)	(189,948)
FUND BALANCES - JULY 1	1,653,173	251,916	2,037,381
FUND BALANCES - JUNE 30	\$ 1,656,572	\$ 233,318	\$ 1,847,433

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

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 2,343,789	\$ 2,296,108	\$ (47,681)			
State assistance	4,900,856	5,075,535	174,679	\$ 2,900	\$ 2,831	\$ (69)
Federal assistance				2,564,328	2,632,062	67,734
Activity revenues		96,817	96,817			
Meal sales				73,248	51,334	(21,914)
Investment income	5,000	9,863	4,863			
Other revenues	68,000	68,731	731		1,702	1,702
TOTAL REVENUES	7,317,645	7,547,054	229,409	2,640,476	2,687,929	47,453
EXPENDITURES						
Regular programs	3,233,205	3,433,962	(200,757)		291	(291)
Special education	359,147	367,183	(8,036)	191,769	117,876	73,893
Career education programs	252,869	261,129	(8,260)		2,707	(2,707)
Compensatory education programs				236,594	271,226	(34,632)
Other instructional programs	132,713	116,198	16,515			
Student support services	312,681	364,239	(51,558)	270,934	265,792	5,142
Instructional staff support services	383,702	389,103	(5,401)	246,307	243,819	2,488
General administration support services	267,419	265,819	1,600			
School administration support services	440,635	408,746	31,889	26,201	19,933	6,268
Central services support services	280,111	316,593	(36,482)	128,476	127,643	833
Operation and maintenance of plant services	656,594	611,199	45,395	72,515	87,992	(15,477)
Student transportation services	300,587	471,826	(171,239)	158,334	97,529	60,805
Other support services	13,881	13,164	717			
Food services operations	1,500	2,080	(580)	488,760	567,351	(78,591)
Community services operations	150,625	151,645	(1,020)	841,262	860,703	(19,441)
Facilities acquisition and construction services	4,500	11,610	(7,110)	86,206	72,167	14,039
Non-programmed costs				24,063		24,063
Activity expenditures		91,218	(91,218)			
Debt Service:						
Principal retirement	73,252	71,433	1,819			
Interest and fiscal charges	4,107	5,927	(1,820)			
TOTAL EXPENDITURES	6,867,528	7,353,074	(485,546)	2,771,421	2,735,029	36,392

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 450,117	\$ 193,980	\$ (256,137)	\$ (130,945)	\$ (47,100)	\$ 83,845
OTHER FINANCING SOURCES (USES)						
Transfers in	9,685,512		(9,685,512)	49,452	28,502	(20,950)
Transfers out	(10,000,847)	(390,716)	9,610,131	(49,452)		49,452
Value of installment contract		200,135	200,135			
TOTAL OTHER FINANCING SOURCES (USES)	(315,335)	(190,581)	124,754	0	28,502	28,502
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	134,782	3,399	(131,383)	(130,945)	(18,598)	112,347
FUND BALANCES - JULY 1	1,666,904	1,653,173	(13,731)	263,974	251,916	(12,058)
FUND BALANCES - JUNE 30	\$ 1,801,686	\$ 1,656,572	\$ (145,114)	\$ 133,029	\$ 233,318	\$ 100,289

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

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a seven 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 Cleveland County School District (District). There are no component units.

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund types include the following:

Agency Funds – Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Private-purpose Trust Funds – Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. 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. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20
Buildings	20-50
Equipment	5-25

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Property Taxes (Continued)

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2018 calendar year taxes collected by June 30, 2019 and 8 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2019 equaled or exceeded the 8 percent calculation.

Amendment no. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Fund Balance Classifications

1. Nonspendable fund balance – represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
3. Assigned fund balance – represents amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed.
4. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

H. 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 District does not prepare and submit amended budgets during the fiscal year. 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.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Stabilization Arrangements

The District's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

J. Minimum Fund Balance Policies

The District's Board of Education has not formally adopted a minimum fund balance policy.

K. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The District's Board of Education has not adopted a formal policy addressing this authorization.

The District's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the District's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

L. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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)	\$ 251,818	\$ 251,818
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	3,139,733	3,228,739
Total Deposits	\$ 3,391,551	\$ 3,480,557

The above total deposits include certificates of deposit of \$443,557 reported as investments and classified as nonparticipating contracts.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 80,285
Other	\$ 3,550	
Totals	\$ 3,550	\$ 80,285

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2019:

A. Operating Leases (noncapital leases with initial noncancellable lease terms in excess of one year)

On April 4, 2017, the District executed an operating lease for two buses beginning July 10, 2017. The agreement stipulated annual payments of \$26,000 for three years.

On July 31, 2018, the District executed an operating lease for two buses. The agreement stipulated annual payments of \$26,000 for three years.

General description of leases and leasing arrangements:

1. Future minimum rental payments (aggregate) at June 30, 2019: \$78,000
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2020	\$ 52,000
2021	26,000
Total	\$ 78,000

Rental payments for the operating leases described above were approximately \$52,000 for the year ended June 30, 2019.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4: COMMITMENTS (Continued)

B. 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, 2019	Maturities To June 30, 2019
<u>Bonds</u>					
6/1/09	1/1/30	3.5 - 4.625%	\$ 320,000	\$ 195,000	\$ 125,000
4/1/15	1/1/30	1 - 2.5%	<u>3,915,000</u>	<u>3,130,000</u>	<u>785,000</u>
Total Bonds			<u>4,235,000</u>	<u>3,325,000</u>	<u>910,000</u>
<u>Direct Borrowings</u>					
9/28/17	9/28/27	3.25%	650,000	578,567	71,433
12/19/18	12/19/24	3.92%	<u>200,135</u>	<u>200,135</u>	<u>71,433</u>
Total Direct Borrowings			<u>850,135</u>	<u>778,702</u>	<u>71,433</u>
Total Long-Term Debt			<u>\$ 5,085,135</u>	<u>\$ 4,103,702</u>	<u>\$ 981,433</u>

Changes in Long-term Debt

	Balance July 01, 2018	Issued	Retired	Balance June 30, 2019
Bonds payable	\$ 3,585,000		\$ 260,000	\$ 3,325,000
<u>Direct Borrowings</u>				
Installment contracts	<u>650,000</u>	<u>\$ 200,135</u>	<u>71,433</u>	<u>778,702</u>
Total Long-Term Debt	<u>\$ 4,235,000</u>	<u>\$ 200,135</u>	<u>\$ 331,433</u>	<u>\$ 4,103,702</u>

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

4: COMMITMENTS (Continued)

B. Long-term Debt Issued and Outstanding (Continued)

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 270,000	\$ 70,115	\$ 340,115	\$ 88,529	\$ 26,910	\$ 115,439
2021	270,000	66,545	336,545	91,588	23,851	115,439
2022	280,000	62,465	342,465	94,849	20,590	115,439
2023	280,000	57,588	337,588	98,178	17,260	115,438
2024	295,000	52,313	347,313	101,625	13,813	115,438
2025-2029	1,585,000	162,160	1,747,160	303,933	22,840	326,773
2030	345,000	9,050	354,050			
Totals	<u>\$ 3,325,000</u>	<u>\$ 480,236</u>	<u>\$ 3,805,236</u>	<u>\$ 778,702</u>	<u>\$ 125,264</u>	<u>\$ 903,966</u>

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Arkansas Department of Education (ADE). Depending on the date of the bond issue, ADE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

5: ACCOUNTS PAYABLE

Accounts payable at June 30, 2019 were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	<u>\$ 44,251</u>	<u>\$ 13,154</u>	<u>\$ 63,274</u>	<u>\$ 9,166</u>

6: INTERFUND TRANSFERS

The District transferred \$362,214 from the general fund to the other aggregate funds for debt related payments of \$332,468 and to supplement future capital expenditures by \$29,746. Additionally, the District transferred \$28,502 from the general fund to the special revenue fund to supplement the food service operations.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

7: 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 employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit 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, by calling 1-800-666-2877, or by visiting the ATRS website at www.artrs.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2019 were \$827,836, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$6,625,430.

8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Interest	\$ 4
FUND BALANCE - JULY 1	13,458
FUND BALANCE - JUNE 30	\$ 13,462

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$4,235,000 issued from June 1, 2009 to April 1, 2015. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$3,805,236, payable through January 1, 2030. Principal and interest paid for the current year and total property taxes pledged for debt service were \$333,203 and \$608,680, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 54.74 percent.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

10: RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for legal liability, student accident, and accidental death and dismemberment coverages.

The District participates in the Arkansas School Boards Association – Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

11: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$182,402 for the year ended June 30, 2019.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

12: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Nonspendable:			
Deposit with paying agent			\$ 35,058
Restricted for:			
Alternative learning environment	\$ 178		
Educational programs - national school lunch state categorical funding	31,850		
English-language learners	8,583		
Capital projects			16,779
Child nutrition programs		\$ 6,592	
Medical services		173,650	
Special education programs	182,764		
Isolated funding	83,118		
Other purposes	74,393	53,076	
Total Restricted	<u>380,886</u>	<u>233,318</u>	<u>16,779</u>
Assigned to:			
Capital projects			1,795,596
Student activities	76,033		
Total Assigned	<u>76,033</u>		<u>1,795,596</u>
Unassigned	<u>799,383</u>		
Totals	<u>\$1,256,302</u>	<u>\$ 233,318</u>	<u>\$ 1,847,433</u>

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019
(Unaudited)

Schedule 1

	Balance June 30, 2019
<i>Nondepreciable capital assets:</i>	
Land	\$ 191,380
<i>Depreciable capital assets:</i>	
Buildings	7,047,681
Improvements/infrastructure	1,593,268
Equipment	3,049,202
Total depreciable capital assets	11,690,151
Less accumulated depreciation for:	
Buildings	3,201,442
Improvements/infrastructure	345,126
Equipment	2,033,131
Total accumulated depreciation	5,579,699
Total depreciable capital assets, net	6,110,452
Capital assets, net	\$ 6,301,832

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	1305		\$ 97,800
Arkansas Department of Education - National School Lunch Program	10.555	1305		245,540
Arkansas Department of Human Services - National School Lunch Program (Note 3)	10.555	1305000		33,934
Total for National School Lunch Program				<u>279,474</u>
Total U. S. Department of Agriculture				<u>377,274</u>
TOTAL CHILD NUTRITION CLUSTER				<u>377,274</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	1305		263,896
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>263,896</u>
OTHER PROGRAMS				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Child Nutrition Discretionary Grants Limited Availability	10.579	1305		3,732
Total U. S. Department of Agriculture				<u>3,732</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	1305		266,518
Arkansas Department of Education - Rural Education	84.358	1305		6,241
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	1305		31,534
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	1305		17,918
Total U. S. Department of Education				<u>322,211</u>
<u>U. S. Department of Health and Human Services</u>				
Head Start	93.600			713,576
Total U. S. Department of Health and Human Services				<u>713,576</u>
TOTAL OTHER PROGRAMS				<u>1,039,519</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 1,680,689</u>

The accompanying notes are an integral part of this schedule.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Cleveland County School District (District) under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 4: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5: During the year ended June 30, 2019, the District received Medicaid funding of \$27,542 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

CLEVELAND COUNTY SCHOOL DISTRICT
 CLEVELAND COUNTY, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued on whether the financial statements audited were prepared in accordance with:

Generally accepted accounting principles (GAAP) - adverse
 Regulatory basis - unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

CLEVELAND COUNTY SCHOOL DISTRICT
 CLEVELAND COUNTY, ARKANSAS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS
 FOR THE YEAR ENDED JUNE 30, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES

U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
 HEAD START - CFDA NUMBER 93.600
 AUDIT PERIOD - YEAR ENDED JUNE 30, 2019

2019-001. Allowable Costs/Costs Principles

Criteria or specific requirement: Office of Management and Budget (OMB) 2 CFR part 200, part E - Cost Principles establish principles for determining the allowable costs incurred by the District under Federal awards. Such costs are to be necessary and reasonable for the performance of the Federal Award and be adequately documented.

Condition: Review of Head Start program travel expenditures for the period July 1, 2017 through June 30, 2019, and credit card expenditures for the period April 17, 2018 through June 30, 2019, revealed \$2,827 in improper disbursements:

	<u>Source of Funds</u>		<u>Total</u>
	<u>Federal</u>	<u>Nonfederal</u>	
Undocumented travel reimbursements	\$ 789	\$ 606	\$ 1,395
Travel expenses without a documented business purpose	340	307	647
Unused airfare	238	202	440
Excess travel reimbursements	50	135	185
Personal expenses	65		65
Unallowable expenses for flowers and plants	31	64	95
Totals	<u>\$ 1,513</u>	<u>\$ 1,314</u>	<u>\$ 2,827</u>

In addition, employees began receiving per diem payments in June 2018 instead of reimbursements for actual expenses, as required by District policy. Many of these per diem payments were made before travel actually occurred, in noncompliance with District policy.

At the conclusion of the audit, a law enforcement agency was investigating certain financial transactions at the District.

Cause: Lack of internal controls and management oversight over program expenditures.

Effect or potential effect: Unallowable costs of \$1,513 were paid from the Head Start program.

Questioned costs: The amount of questioned costs was \$1,513.

Context: An examination of Head Start travel expenditures for the period July 1, 2017 through June 30, 2019 and credit card expenditures for the period April 17, 2018 through June 30, 2019.

Recommendation: The District should contact the U. S. Department of Health and Human Services for guidance in resolution of this matter and implement proper controls over program expenditures.

Views of responsible officials: The Cleveland County School District will consult with the U. S. Department of Health and Human Services for guidance in resolution of this matter and we will implement proper controls over program expenditures. At the District level, we have new leadership at the helm of our Early Head Start and Head Start programs.

We will re-educate the employees on how to document travel reimbursements and we will discuss in detail how the employees will receive the per diem request after the travel has occurred. This is a tremendous hardship on my employees due to food cost for what is sometimes a week's worth of required professional development. Most of the time the professional development is held in city locations that are not cheap to obtain a meal for my employees, i.e. Las Vegas, Ft. Lauderdale, etc.

We are discussing in great detail with the airline of how the unused airfare was credited back to the district credit card or to the former director's frequent flyer account. We are awaiting clarification.

Employees will be told again that no fund can be used to pay for flowers or plants for other employees due to funerals, weddings, birthdays, etc. The Cleveland County School District will keep a watchful eye on those types of expenditures and stop them upon notification.

With our new director in place since September 2019, I feel confident that this is either already resolved or is in the stages of being resolved. We should not repeat these findings next year.

CLEVELAND COUNTY SCHOOL DISTRICT
CLEVELAND COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Schedule 3

2019-002. Allowable Costs/Costs Principles

Criteria or specific requirement: Title 2 U.S. Code of Federal Regulations (CFR) 200.130(i)(1)(vii) requires that the distribution of an employee's salary or wages be supported when the employee works on more than one Federal award or a Federal award and a non-federal activity.

Condition: Although standard payroll documentation supporting the employee's work in the Head Start program was available for audit inspection, monthly personnel activity reports were not prepared for one employee who also worked on other activities.

Cause: Lack of internal controls and management oversight.

Effect or potential effect: The District was unable to provide required documentation substantiating the time charged to the Head Start program.

Context: Examination of documentation substantiating time worked by applicable employees in the Head Start payroll test of 5 employees from a total population of 50 employees.

Recommendation: The District should prepare monthly personnel activity reports or equivalent documentation for all applicable employees.

Views of responsible officials: The Cleveland County School District and the Cleveland County Head Start Director will ensure that all monthly personnel activity reports are prepared and available for inspection. It appears that the only missing personnel activity report belonged to the former director.

Again, I am confident that our new director will stay on top of these types of reports and we will not have a repeat finding.



Cleveland County School District

ACCREDITED BY THE ARKANSAS DEPARTMENT OF EDUCATION

P.O. Box 600, Rison, AR 71665 870-325-6344 Fax:870-325-7094 www.rison.k12.ar.us

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2019

FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

BOARD OF EDUCATION

Harrell Wilson
President

Tony White Vice-
President

Amber Offutt
Secretary

Stan Sadler Member

William King
Member

Rickey Spencer
Member

Jason Hall
Member

ADMINISTRATION

Craig Dupuy
Superintendent

Davy King
High School Principal

Letitia Johnson
High School Asst. Principal

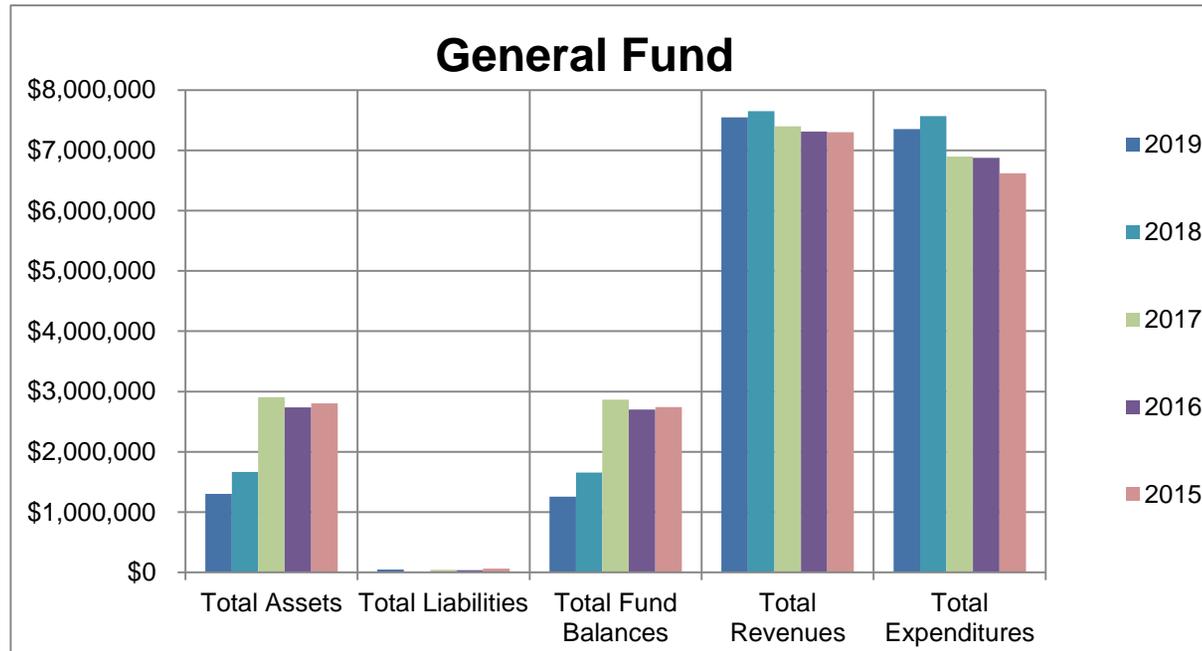
Jeff McKinney
Elementary Principal

William Durey
Elementary Principal

CLEVELAND COUNTY SCHOOL DISTRICT
 CLEVELAND COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Schedule 5

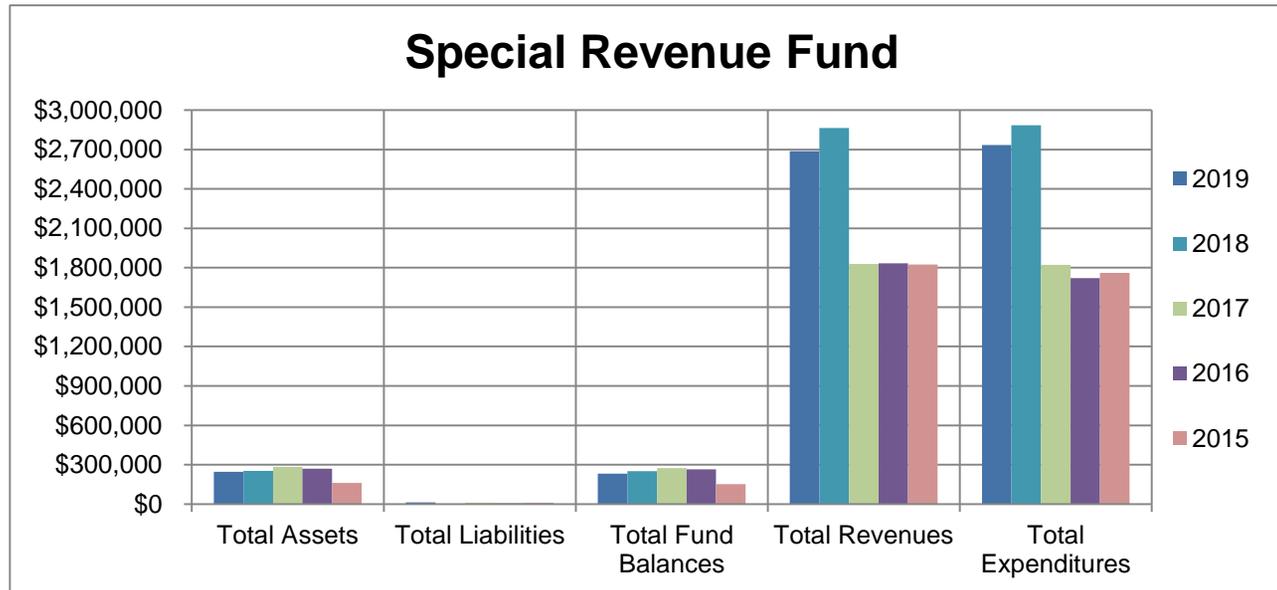
<u>General Fund</u>	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 1,300,553	\$ 1,663,535	\$ 2,903,778	\$ 2,737,512	\$ 2,804,146
Total Liabilities	44,251	10,362	39,413	35,341	59,985
Total Fund Balances	1,256,302	1,653,173	2,864,365	2,702,171	2,744,161
Total Revenues	7,547,054	7,652,088	7,398,385	7,312,607	7,303,821
Total Expenditures	7,353,074	7,569,570	6,895,556	6,877,055	6,620,901
Total Other Financing Sources (Uses)	(190,581)	(1,293,710)	(340,635)	(477,542)	(275,344)



CLEVELAND COUNTY SCHOOL DISTRICT
 CLEVELAND COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Schedule 5

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 246,472	\$ 252,646	\$ 284,204	\$ 270,883	\$ 162,778
Total Liabilities	13,154	730	10,381	5,397	11,277
Total Fund Balances	233,318	251,916	273,823	265,486	151,501
Total Revenues	2,687,929	2,864,267	1,829,680	1,833,879	1,824,426
Total Expenditures	2,735,029	2,884,385	1,821,343	1,719,894	1,760,609
Total Other Financing Sources (Uses)	28,502	(1,789)			(23,571)



CLEVELAND COUNTY SCHOOL DISTRICT
 CLEVELAND COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Schedule 5

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 1,910,707	\$ 2,037,381	\$ 474,715	\$ 483,335	\$ 299,847
Total Liabilities	63,274				40,799
Total Fund Balances	1,847,433	2,037,381	474,715	483,335	259,048
Total Revenues					313
Total Expenditures	552,162	380,807	349,255	253,255	396,393
Total Other Financing Sources (Uses)	362,214	1,943,473	340,635	477,542	277,183

