

# **Westwind School for the Performing Arts**

**Pulaski County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2022**



WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
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# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
House Vice Chair

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

## **LEGISLATIVE JOINT AUDITING COMMITTEE** **ARKANSAS LEGISLATIVE AUDIT**

### **INDEPENDENT AUDITOR'S REPORT**

Westwind School for the Performing Arts and School Board Members  
Legislative Joint Auditing Committee

#### **Report on the Audit of the Financial Statements**

##### ***Opinions***

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Westwind School for the Performing Arts (the "Charter School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

##### ***Unmodified Opinions on Regulatory Basis of Accounting***

In our opinion, the accompanying 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 Charter School as of June 30, 2022, 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.

##### ***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 section of our report, the accompanying 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 Charter School as of June 30, 2022, or the changes in financial position for the year then ended.

##### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Charter School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 of the financial statements, the financial statements are prepared by the Charter School 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, to meet the requirements of the State of Arkansas. 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 and pervasive.

### ***Responsibilities of Management 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. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 Charter School's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Charter School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Other Information***

Management is responsible for the other information included in the report. The other information comprises the Schedule of Capital Assets. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the regulatory basis financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated August 10, 2023 on our consideration of the Charter School'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 Charter School'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 Charter School's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being more prominent.

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

Little Rock, Arkansas  
August 10, 2023  
EDCS04922

# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
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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

Westwind School for the Performing Arts 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 Westwind School for the Performing Arts (the "Charter School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements, and have issued our report thereon dated August 10, 2023. We issued an adverse opinion because the Charter School 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 and pervasive. 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 Charter School as of June 30, 2022, 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.

### **Report on 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) as a basis for designing 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 Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School'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 Charter School's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the Audit Findings section of this report, that we consider to be a significant deficiency.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter School'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 financial statements. 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*.

We noted a certain matter that we reported to management of the Charter School in a separate letter dated August 10, 2023.

## AUDIT FINDINGS

### Significant Deficiency

Charter School management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements. Deficiencies in the Charter School's internal control system could hinder the prevention or detection of errors in the financial accounting records. Such records are utilized in the preparation of the Charter School's financial statements in conformity with the regulatory basis of accounting.

Deficiencies in the internal control component of control activities adversely affected the Charter School's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the Charter School's financial statements would not be prevented, or detected and corrected on a timely basis. Specific deficiencies identified in the Charter School's internal controls were as follows:

Our examination of non-payroll expenditures, which included a sample of 30 disbursements, revealed the following:

- Twenty-eight disbursements (\$188,796) did not have any indication of approval in noncompliance with Ark. Code Ann. § 6-13-701(e)(1)(B).
- Three disbursements (\$3,092) did not have adequate supporting documentation.
- Five disbursements (\$5,344) were made with only one authorizing signature in noncompliance with Ark. Code Ann. §§ 6-13-701(e)(1)(A)(i), 6-13-618(c), and 6-17-918.

Charter School management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard Charter School assets.

Management Response: The superintendent will sign each invoice and submit to APRSC for payment. All expenditures will have adequate documentation. Procedures have been reviewed with all staff. There will be no manual checks. Two authorizing signatures are included on all checks printed in eFinance.

Government *Auditing Standards* requires the auditor to perform limited procedures on the Charter School's response to the findings identified in our audit, excluding the management letter finding, and described in the Audit Findings section of this report. The Charter School's response was not subjected to the other auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on the response.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
August 10, 2023

# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Westwind School for the Performing Arts and School Board Members  
Legislative Joint Auditing Committee

We would like to communicate the following item that came to our attention during this audit. The purpose of such comment is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. This matter was discussed previously with Charter School officials during the course of our audit fieldwork and at the exit conference.

During our review of receipts, we noted the following:

- Receipts totaling \$1,349,556 were entered in APSCN using invalid receipt numbers (e.g., 0000000, BANK STATEMENT, DIRECT DEPOSIT, WIRE, or remittance slip numbers).
- Receipts were not signed by the issuer, did not include composition of payment, and were not issued sequentially.
- Receipts were not issued for all sources of income in noncompliance with Ark. Code Ann. § 6-13-701(f)(2).
- Receipts were issued to reduce revenues and reissued to correct coding errors instead of recording journal entries.
- Deposit slips did not include receipt ranges.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and Charter School management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Matt Fink".

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
August 10, 2023



WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2022

Exhibit A

	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
ASSETS			
Cash	\$ 20,616		
Accounts receivable		\$ 108,538	\$ 1,988
Due from other funds	64,452		
TOTAL ASSETS	<u>\$ 85,068</u>	<u>\$ 108,538</u>	<u>\$ 1,988</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable		\$ 8,595	
Due to other funds		64,452	
Total Liabilities		<u>73,047</u>	
Fund Balances:			
Restricted		35,491	
Assigned			\$ 1,988
Unassigned	\$ 85,068		
Total Fund Balances	<u>85,068</u>	<u>35,491</u>	<u>1,988</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 85,068</u>	<u>\$ 108,538</u>	<u>\$ 1,988</u>

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

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
State assistance	\$ 524,088		
Federal assistance		\$ 574,925	
Other revenues	218,012		\$ 34,650
<b>TOTAL REVENUES</b>	<b>742,100</b>	<b>574,925</b>	<b>34,650</b>
EXPENDITURES			
Regular programs	292,989	148,997	
Special education	10,129	5,000	
Student support services	38,801	12,695	
Instructional staff support services	18,777	212,165	
General administration support services	89,610	13,150	
School administration support services	54,500		
Central services support services	42,348	38,701	
Operation and maintenance of plant services	88,851	15,835	32,662
Student transportation services	21,027	54,520	
Food services operations		38,371	
<b>TOTAL EXPENDITURES</b>	<b>657,032</b>	<b>539,434</b>	<b>32,662</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>85,068</b>	<b>35,491</b>	<b>1,988</b>
FUND BALANCES - JULY 1	0	0	0
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 85,068</b>	<b>\$ 35,491</b>	<b>\$ 1,988</b>

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

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI 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, 2022

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 80,071	\$ 524,088	\$ 444,017			
Federal assistance				\$ 964,511	\$ 574,925	\$ (389,586)
Other revenues	635,660	218,012	(417,648)			
<b>TOTAL REVENUES</b>	<b>715,731</b>	<b>742,100</b>	<b>26,369</b>	<b>964,511</b>	<b>574,925</b>	<b>(389,586)</b>
EXPENDITURES						
Regular programs	282,319	292,989	(10,670)	243,734	148,997	94,737
Special education	50,000	10,129	39,871	16,043	5,000	11,043
Student support services	55,817	38,801	17,016	11,820	12,695	(875)
Instructional staff support services	14,000	18,777	(4,777)	201,055	212,165	(11,110)
General administration support services	67,500	89,610	(22,110)	16,000	13,150	2,850
School administration support services	60,340	54,500	5,840			
Central services support services	42,000	42,348	(348)	15,000	38,701	(23,701)
Operation and maintenance of plant services	88,980	88,851	129	12,000	15,835	(3,835)
Student transportation services	32,000	21,027	10,973		54,520	(54,520)
Other support services	598		598			
Food services operations				50,000	38,371	11,629
Community services operations				438		438
Debt Service:						
Principal retirement	12,000		12,000			
<b>TOTAL EXPENDITURES</b>	<b>705,554</b>	<b>657,032</b>	<b>48,522</b>	<b>566,090</b>	<b>539,434</b>	<b>26,656</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,177	85,068	74,891	398,421	35,491	(362,930)
OTHER FINANCING SOURCES (USES)						
Transfers in	1,138,636		(1,138,636)	10,000		(10,000)
Transfers out	(1,138,995)		1,138,995	(10,000)		10,000
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(359)</b>		<b>359</b>	<b>0</b>		<b>0</b>

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI 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, 2022

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 9,818	\$ 85,068	\$ 75,250	\$ 398,421	\$ 35,491	\$ (362,930)
FUND BALANCES - JULY 1	0	0	0	0	0	0
FUND BALANCES - JUNE 30	<u>\$ 9,818</u>	<u>\$ 85,068</u>	<u>\$ 75,250</u>	<u>\$ 398,421</u>	<u>\$ 35,491</u>	<u>\$ (362,930)</u>

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

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Board of Education, a six 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 Westwind School for the Performing Arts (Charter School). The Charter School, established July 1, 2021, is an open enrollment charter school, and the sponsoring entity is Westwind School for the Performing Arts Foundation, a nonprofit corporation.

**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. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the Charter School'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.

**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) 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.

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 and other requirements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets, leases, 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.

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

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

**C. Measurement Focus and Basis of Accounting (Continued)**

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. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. 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 financed purchases are reported as other financing sources. Changes in private-purpose 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 Charter School 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:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Equipment	5-20

**F. Interfund Receivables and Payables**

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

**G. Fund Balance Classifications**

1. 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.
2. Assigned fund balance – represents amounts that are constrained by the Charter School's *intent* to be used for specific purposes, but are neither restricted nor committed.
3. 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.

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

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

**H. Budget and Budgetary Accounting**

The Charter School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The Charter School 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 charter schools employ the cash basis method.

The Charter School 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 Charter School routinely budgets restricted federal programs as part of the special revenue fund.

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.

**I. Stabilization Arrangements**

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

**K. Fund Balance Classification Policies and Procedures**

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

The Charter School'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 Charter School'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 Charter School 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. Charter School 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 Charter School 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 Charter School does not utilize encumbrance accounting.

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**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)	\$ 20,616	\$ 65,007

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2022 were comprised of the following:

Description	Governmental Funds	
	Major Special Revenue	Other Aggregate
Federal assistance	\$ 108,538	
Other		\$ 1,988
Totals	\$ 108,538	\$ 1,988

**4: COMMITMENTS**

The Charter School was contractually obligated for the following at June 30, 2022:

Lease (lease of nonfinancial assets with initial noncancelable lease terms in excess of one year)

General description of lease and leasing arrangements:

Facility lease for 60 months, beginning July 1, 2021, with monthly payments to Team Summitt, LLC.

1. Future minimum lease payments (aggregate) at June 30, 2022: \$732,000
2. Future minimum lease payments for the succeeding years:

Year Ended June 30,	Amount
2023	\$ 120,000
2024	204,000
2025	204,000
2026	204,000
Total	\$ 732,000

Lease payments for the lease described above were approximately \$124,000 for the year ended June 30, 2022.



WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
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**5: ACCOUNTS PAYABLE**

Accounts payable at June 30, 2022 were comprised of the following:

Description	Governmental Fund	
	Major	Special
	Revenue	
Vendor payables	\$	8,595

**6: RELATED-PARTY TRANSACTIONS**

The Charter School maintained a bank balance of \$65,007 with Southern Bancorp Bank at June 30, 2022. A member of the Charter School's Board of Education and supporting foundation, is Chief of Staff of this financial institution.

The Charter School paid \$124,000 for a facility lease to a company, in which a parent and sibling of the Executive Director are owners. In accordance with Ark. Code Ann. § 6-24-105, a resolution to conduct business with this company was adopted by the Charter School's Board of Education and approved by the Arkansas Division of Elementary and Secondary Education.

**7: RETIREMENT PLAN**

Arkansas Teacher Retirement System

Plan Description

The Charter School 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](http://www.artrs.gov).

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.75% 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 14.75% of covered salaries. The Charter School's contributions to ATRS for the year ended June 30, 2022 were \$53,041, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary 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 Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability at June 30, 2021 (actuarial valuation date and measurement date) was \$0.

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
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NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**8: RISK MANAGEMENT**

The Charter School 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 Charter School carries commercial insurance for property, vehicles, and workers' compensation.

Settled claims have not exceeded coverage during the fiscal year.

**9: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the Charter School's employees, totaled \$6,538 for the year ended June 30, 2022.

**10: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE**

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Child nutrition programs		\$ 35,491	
Assigned to:			
Other purposes			\$ 1,988
Unassigned	\$ 85,068		
Totals	\$ 85,068	\$ 35,491	\$ 1,988

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
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JUNE 30, 2022

**11: COMPONENT UNIT**

The financial statements do not include assets, net assets, and changes in net assets of the Westwind School for the Performing Arts Foundation. The Foundation operates as a nonprofit organized exclusively for charitable and education purposes. A summary of the Foundation's financial condition (unaudited) as of December 31, 2022, is as follows:

	<u>December 31, 2022</u>
<u>ASSETS</u>	
Cash	\$ 761,474
 TOTAL ASSETS	 \$ 761,474
 <u>LIABILITIES</u>	
Liabilities	\$ 401,026
Net Assets	360,448
 TOTAL LIABILITIES AND NET ASSETS	 \$ 761,474
 <u>REVENUE</u>	
Other Income	\$ 562,500
 TOTAL REVENUE	 \$ 562,500
 <u>EXPENDITURES</u>	
Other Expenditures	\$ 413,630
 TOTAL EXPENDITURES	 \$ 413,630
 NET INCOME	 \$ 148,870

WESTWIND SCHOOL FOR THE PERFORMING ARTS  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022  
(Unaudited)

Schedule 1

	Balance June 30, 2022
Depreciable capital assets:	
Equipment	<u>77,283</u>
Less accumulated depreciation for:	
Equipment	<u>9,013</u>
Total depreciable capital assets, net	<u>68,270</u>
Capital assets, net	<u><u>\$ 68,270</u></u>