

# **Gravette School District No. 20**

**Benton County, Arkansas**

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

**June 30, 2021**



GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
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# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

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

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

### INDEPENDENT AUDITOR'S REPORT

Gravette School District No. 20 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 Gravette School District No. 20 (the "District"), as of and for the year ended June 30, 2021, 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. 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2021, 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, 2021, 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.

### ***Emphasis of Matter***

As discussed in Note 1C to the financial statements, in 2021 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement no. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

### ***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 April 20, 2022 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  
April 20, 2022  
EDSD02021

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
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## 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

Gravette School District No. 20 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 Gravette School District No. 20 (the "District"), as of and for the year ended June 30, 2021, 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 April 20, 2022. 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, 2021, 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) 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 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 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 District in a separate letter dated April 20, 2022.

**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

A handwritten signature in black ink that reads "Matt Fink". The signature is written in a cursive, slightly slanted style.

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
April 20, 2022

# Arkansas

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Legislative Auditor

## 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

Gravette School District No. 20 and School Board Members  
Legislative Joint Auditing Committee

#### **Report on Compliance for Each Major Federal Program**

We have audited the Gravette School District No. 20'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, 2021. 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 qualified and unmodified opinions on compliance for major federal programs. However, our audit does not provide a legal determination of the District's compliance.

#### ***Basis for Qualified Opinion on AL 84.425D COVID-19 – Education Stabilization Fund***

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding AL 84.425D COVID-19 – Education Stabilization Fund as described in finding numbers 2021-001 and 2021-002 for Allowable Costs/Cost Principles and 2021-003 for Equipment and Real Property Management. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

#### ***Qualified Opinion on AL 84.425D COVID-19 – Education Stabilization Fund***

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 AL 84.425D COVID-19 – Education Stabilization Fund for the year ended June 30, 2021.

### **Unmodified Opinion on Each of the Other Major Federal Programs**

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 other major federal programs identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2021.

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 identify certain deficiencies in internal control over compliance, described in the accompanying Schedule of Findings and Questioned Costs as items 2021-001, 2021-002, and 2021-003, that we consider to be material weaknesses.

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



Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
April 20, 2022

# Arkansas

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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Gravette School District No. 20 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 District officials during the course of our audit fieldwork and at the exit conference.

In our examination of bank reconciliations, we noted the following:

- The District's operating bank account for June 2021 was not reconciled until January 2022 with a variance of \$240,281.
- The June 2021 bank reconciliation included 32 checks on the outstanding checks list totaling \$42,648 that had cleared the bank prior to June 30, 2021.
- Three voided checks totaling \$184,211 cleared the bank. As of the report date, \$176,569 has been recovered from the vendor.
- The June 2021 operating bank account reconciliation contained 123 outstanding checks totaling \$19,905 with issued dates over one year old.
- Prior year audit adjustments totaling \$12,001 to cash were not recorded by the District.
- An insufficient check of \$511 was not posted to the general ledger.
- Other variances totaling \$910 for deposit differences, a duplicate check, and an unidentified variance were not posted to the general ledger.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District 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  
April 20, 2022

GRAVETTE SCHOOL DISTRICT NO. 20  
 BENTON COUNTY, ARKANSAS  
 BALANCE SHEET - REGULATORY BASIS  
 JUNE 30, 2021

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 2,938,557	\$ 440,551	\$ 2,976,072	\$ 24,472
Accounts receivable	176,569	136,171		
Due from other funds	38,519			
Deposit with paying agent			110,315	
	<u>\$ 3,153,645</u>	<u>\$ 576,722</u>	<u>\$ 3,086,387</u>	<u>\$ 24,472</u>
<b>TOTAL ASSETS</b>				
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable and accrued liabilities	\$ 77,833	\$ 47,541		
Due to other funds		38,519		
Total Liabilities	<u>77,833</u>	<u>86,060</u>		
<b>Fund Balances:</b>				
Nonspendable			\$ 110,315	
Restricted	527,044	490,662		\$ 24,472
Assigned	564,263		2,976,072	
Unassigned	1,984,505			
Total Fund Balances	<u>3,075,812</u>	<u>490,662</u>	<u>3,086,387</u>	<u>24,472</u>
	<u>\$ 3,153,645</u>	<u>\$ 576,722</u>	<u>\$ 3,086,387</u>	<u>\$ 24,472</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>				

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

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 12,751,499		
State assistance	6,768,154	\$ 6,019	
Federal assistance		2,595,188	
Activity revenues	258,771		
Meal sales		46,427	
Investment income	8,326		\$ 4,523
Other revenues	285,370	15,358	
<b>TOTAL REVENUES</b>	<b>20,072,120</b>	<b>2,662,992</b>	<b>4,523</b>
<b>EXPENDITURES</b>			
Regular programs	7,708,513	176,809	469,095
Special education	1,231,947	279,476	
Career education programs	560,595	5,979	
Compensatory education programs	65,222	331,168	
Other instructional programs	1,200,962	297	
Student support services	760,263	146,698	
Instructional staff support services	769,589	79,367	
General administration support services	416,750	72,424	
School administration support services	535,681		
Central services support services	685,046	115,554	
Operation and maintenance of plant services	2,134,183	108,286	
Student transportation services	1,118,996	112	
Other support services	11,649		
Food services operations	11,073	1,108,475	
Community services operations	12,276	265	
Facilities acquisition and construction services	33,900		112,063
Activity expenditures	192,670		
Debt Service:			
Principal retirement	60,805		92,199
Interest and fiscal charges			876,511
Net debt issuance costs			388,749
<b>TOTAL EXPENDITURES</b>	<b>17,510,120</b>	<b>2,424,910</b>	<b>1,938,617</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>2,562,000</b>	<b>238,082</b>	<b>(1,934,094)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			2,925,568
Transfers out	(2,925,568)		
Value of installment contract	165,153		
Proceeds from refunding bond issues			42,675,000
Payments to refunding bond escrow agents			(42,236,576)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(2,760,415)</b>		<b>3,363,992</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(198,415)</b>	<b>238,082</b>	<b>1,429,898</b>
<b>FUND BALANCES - JULY 1</b>	<b>3,274,227</b>	<b>252,580</b>	<b>1,656,489</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 3,075,812</b>	<b>\$ 490,662</b>	<b>\$ 3,086,387</b>

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

GRAVETTE SCHOOL DISTRICT NO. 20  
 BENTON 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, 2021

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 12,218,513	\$ 12,751,499	\$ 532,986			
State assistance	6,739,617	6,768,154	28,537	\$ 6,500	\$ 6,019	\$ (481)
Federal assistance				2,129,667	2,595,188	465,521
Activity revenues		258,771	258,771			
Meal sales				234,900	46,427	(188,473)
Investment income	12,000	8,326	(3,674)			
Other revenues	136,516	285,370	148,854	20,000	15,358	(4,642)
<b>TOTAL REVENUES</b>	<b>19,106,646</b>	<b>20,072,120</b>	<b>965,474</b>	<b>2,391,067</b>	<b>2,662,992</b>	<b>271,925</b>
<b>EXPENDITURES</b>						
Regular programs	7,514,503	7,708,513	(194,010)	209,318	176,809	32,509
Special education	1,183,714	1,231,947	(48,233)	311,228	279,476	31,752
Career education programs	552,328	560,595	(8,267)	25,890	5,979	19,911
Compensatory education programs	63,573	65,222	(1,649)	379,915	331,168	48,747
Other instructional programs	1,148,141	1,200,962	(52,821)		297	(297)
Student support services	702,603	760,263	(57,660)	130,424	146,698	(16,274)
Instructional staff support services	867,603	769,589	98,014	86,286	79,367	6,919
General administration support services	508,739	416,750	91,989	33,699	72,424	(38,725)
School administration support services	523,273	535,681	(12,408)			
Central services support services	552,973	685,046	(132,073)		115,554	(115,554)
Operation and maintenance of plant services	1,861,873	2,134,183	(272,310)		108,286	(108,286)
Student transportation services	930,589	1,118,996	(188,407)	125,000	112	124,888
Other support services	8,350	11,649	(3,299)			
Food services operations	8,650	11,073	(2,423)	1,056,400	1,108,475	(52,075)
Community services operations		12,276	(12,276)		265	(265)
Facilities acquisition and construction services	33,100	33,900	(800)			
Activity expenditures		192,670	(192,670)			
Debt Service:						
Principal retirement		60,805	(60,805)			
<b>TOTAL EXPENDITURES</b>	<b>16,460,012</b>	<b>17,510,120</b>	<b>(1,050,108)</b>	<b>2,358,160</b>	<b>2,424,910</b>	<b>(66,750)</b>

GRAVETTE SCHOOL DISTRICT NO. 20  
 BENTON 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, 2021

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 2,646,634	\$ 2,562,000	\$ (84,634)	\$ 32,907	\$ 238,082	\$ 205,175
OTHER FINANCING SOURCES (USES)						
Transfers in	23,633,908		(23,633,908)			
Transfers out	(26,176,171)	(2,925,568)	23,250,603			
Value of installment contract		165,153	165,153			
TOTAL OTHER FINANCING SOURCES (USES)	(2,542,263)	(2,760,415)	(218,152)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	104,371	(198,415)	(302,786)	32,907	238,082	205,175
FUND BALANCES - JULY 1	3,262,874	3,274,227	11,353	217,075	252,580	35,505
FUND BALANCES - JUNE 30	\$ 3,367,245	\$ 3,075,812	\$ (291,433)	\$ 249,982	\$ 490,662	\$ 240,680

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

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**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 Gravette 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:

Private-purpose Funds – Private-purpose funds are used to report all other 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) 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.

GRAVETTE SCHOOL DISTRICT NO. 20  
 BENTON COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**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 and other requirements 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. 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 capital leases 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 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:

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

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.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

F. Property Taxes (Continued)

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. Interfund Receivables and Payables

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

H. 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.

I. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The 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.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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

J. 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.

K. Minimum Fund Balance Policies

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

L. 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.

M. 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)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	5,879,652	6,072,590
Total Deposits	\$ 6,379,652	\$ 6,572,590

GRAVETTE SCHOOL DISTRICT NO. 20  
 BENTON COUNTY, ARKANSAS  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2021 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 136,171
Other	\$ 176,569	
Totals	\$ 176,569	\$ 136,171

**4: COMMITMENTS**

The District was contractually obligated for the following at June 30, 2021:

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

General description of lease and leasing arrangements:

Lease for 14 copiers commencing on July 18, 2019, for a term of 60 months with monthly payments of \$7,066.

1. Future minimum rental payments (aggregate) at June 30, 2021: \$197,855
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2022	\$ 70,663
2023	63,596
2024	63,596
Total	\$ 197,855

Rental payments for the operating lease described above were approximately \$56,530 for the year ended June 30, 2021.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**4: COMMITMENTS (Continued)**

B. Long-term Debt Issued and Outstanding

The District is presently paying on the following long-term debt:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2021</u>	<u>Maturities To June 30, 2021</u>
<b><u>Bonds</u></b>					
7/1/20	6/1/39	2%	\$ 17,260,000	\$ 17,260,000	
7/15/20	2/1/48	2 - 2.50%	10,055,000	10,055,000	
7/30/20	6/1/42	2 - 2.125%	9,730,000	9,730,000	
11/1/20	2/1/48	2 - 2.25%	2,845,000	2,845,000	
3/1/21	6/1/42	.3 - 1.4%	1,510,000	1,510,000	
3/4/21	6/1/42	.25 -1.4%	1,275,000	1,275,000	
Total Bonds			<u>42,675,000</u>	<u>42,675,000</u>	
<b><u>Direct Borrowings</u></b>					
4/30/19	7/1/22	5.8959%	50,918	25,791	\$ 25,127
5/23/19	5/27/22	3.95%	276,740	95,907	180,833
6/14/20	7/1/24	4.7%	61,850	45,283	16,567
8/14/20	7/1/24	4.7%	165,153	120,915	44,238
Total Direct Borrowings			<u>554,661</u>	<u>287,896</u>	<u>266,765</u>
Total Long-Term Debt			<u>\$ 43,229,661</u>	<u>\$ 42,962,896</u>	<u>\$ 266,765</u>

Changes in Long-term Debt

	<u>Balance July 1, 2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2021</u>
Bonds payable	<u>\$41,885,000</u>	<u>\$42,675,000</u>	<u>\$41,885,000</u> *	<u>\$ 42,675,000</u>
<b><u>Direct Borrowings</u></b>				
Capital lease	188,106		92,199	95,907
Installment contracts	87,641	165,153	60,805	191,989
Total Direct Borrowings	<u>275,747</u>	<u>165,153</u>	<u>153,004</u>	<u>287,896</u>
Total Long-Term Debt	<u>\$ 42,160,747</u>	<u>\$ 42,840,153</u>	<u>\$ 42,038,004</u>	<u>\$ 42,962,896</u>

\* Includes \$41,885,000 early retirement of debt – See Note 6.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**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
2022	\$ 55,000	\$ 852,185	\$ 907,185	\$ 161,244	\$ 13,403	\$ 174,647
2023	645,000	852,048	1,497,048	68,634	6,250	74,884
2024	1,130,000	840,960	1,970,960	58,018	2,787	60,805
2025	1,530,000	820,430	2,350,430			
2026	1,555,000	791,795	2,346,795			
2027-2031	9,180,000	3,478,503	12,658,503			
2032-2036	10,415,000	2,537,968	12,952,968			
2037-2041	11,815,000	1,459,761	13,274,761			
2042-2046	4,980,000	431,660	5,411,660			
2044-2048	1,370,000	50,513	1,420,513			
Totals	<u>\$ 42,675,000</u>	<u>\$ 12,115,823</u>	<u>\$ 54,790,823</u>	<u>\$ 287,896</u>	<u>\$ 22,440</u>	<u>\$ 310,336</u>

Capital Lease

Capital assets acquired through a capital lease consisted of the following at June 30, 2021:

Class of Property	Cost	Accumulated Depreciation	Net Value
Light Poles	<u>\$ 276,740</u>	<u>\$ 27,674</u>	<u>\$ 249,066</u>

The present value of the net minimum lease payments is as follows at June 30, 2021:

Total Minimum Lease Payments	\$ 99,765
Less: Amount Representing Interest	<u>3,858</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 95,907</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 Division of Elementary and Secondary Education (DESE). Depending on the date of the bond issue, DESE 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.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities at June 30, 2021 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 77,833	\$ 9,219
Due to grantor		38,322
Totals	\$ 77,833	\$ 47,541

**6: DEBT REFUNDINGS**

On July 1, 2020, the District issued refunding bonds of \$17,260,000 with an interest rate of 2 percent to refund \$17,115,000 of outstanding bonds dated June 1, 2014. The interest rates of the bonds refunded were 3 to 3.75 percent. Net bond proceeds of \$17,268,763 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on September 1, 2020. The refunding bonds were sold at a premium of \$257,661 which is included in the net proceeds amount remitted to fiscal agent. The net of the premium (\$257,661), accrued interest (\$27,808), and bond issuance cost (\$248,606) resulted in a negative amount reported for the net debt issuance cost of \$36,863. The remaining proceeds of \$28,100 (after payment of \$248,606 bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$2,452,936 to the District over the life of the bonds.

On July 15, 2020, the District issued refunding bonds of \$10,055,000 with interest rates of 2 to 2.5 percent to refund \$9,935,000 of outstanding bonds dated August 1, 2018. The interest rates of the bonds refunded were 2.1 to 3.65 percent. Net bond proceeds of \$9,968,918 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds will be called on September 1, 2020. The remaining proceeds of \$11,456 (after payment of \$74,626 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$1,526,191 to the District over the life of the bonds.

On July 30, 2020, the District issued refunding bonds of \$9,730,000 with interest rates of 2 to 2.125 percent to refund \$9,410,000 of outstanding bonds dated May 1, 2012. The interest rates of the bonds refunded were 1 to 4.125 percent. Net bond proceeds of \$9,501,157 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds will be called on September 1, 2020. The remaining proceeds of \$1,005 (after payment of \$227,838 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$2,098,439 to the District over the life of the bonds.

On November 1, 2020, the District issued refunding bonds of \$2,845,000 with interest rates of 2 to 2.25 percent to refund \$2,755,000 of outstanding bonds dated January 1, 2019. The interest rates of the bonds refunded were 2.2 to 3.7 percent. Net bond proceeds of \$2,802,214 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds will be called on February 1, 2021. The remaining proceeds of \$5,204 (after payment of \$37,582 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$450,685 to the District over the life of the bonds.

On March 1, 2021, the District issued refunding bonds of \$1,510,000 with interest rates of .3 to 1.4 percent to refund \$1,450,000 of outstanding bonds dated January 1, 2013. The interest rates of the bonds refunded were 1 to 3 percent. Net bond proceeds of \$1,464,679 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds will be called on April 5, 2021. The remaining proceeds of \$784 (after payment of \$44,537 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$224,907 to the District over the life of the bonds.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**6: DEBT REFUNDINGS (Continued)**

On March 4, 2021, the District issued refunding bonds of \$1,275,000 with interest rates of .25 to 1.4 percent to refund \$1,220,000 of outstanding bonds dated January 1, 2013. The interest rates of the bonds refunded were 1.1 to 2.65 percent. Net bond proceeds of \$1,230,845 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds will be called on April 5, 2021. The remaining proceeds of \$3,126 (after payment of \$41,029 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$129,897 to the District over the life of the bonds.

**7: INTERFUND TRANSFERS**

The District transferred \$2,925,568 from the general fund to the other aggregate funds for debt related payments of \$925,568 and to supplement capital expenditures of \$2,000,000.

**8: 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](http://www.artrs.gov).

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.50% 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 14.50% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2021 were \$1,731,103, 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 District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$20,731,188.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**9: CHANGES IN PRIVATE-PURPOSE FUNDS**

ADDITIONS	
Donations	<u>\$ 12,200</u>
 DEDUCTIONS	
Scholarships	<u>18,500</u>
 CHANGE IN FUND BALANCE	(6,300)
 FUND BALANCE - JULY 1	<u>30,772</u>
 FUND BALANCE - JUNE 30	<u><u>\$ 24,472</u></u>

**10: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$42,675,000 issued from July 1, 2020 to March 4, 2021. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$54,790,823, payable through February 1, 2048. Principal and interest paid for the current year and total property taxes pledged for debt service were \$865,663 and \$4,464,631, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 19.39 percent.

**11: 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 board liability and student accident coverage.

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.

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.

The District participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program’s general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

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.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**12: 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 District's employees, totaled \$363,908 for the year ended June 30, 2021.

**13: 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			\$ 110,315
Restricted for:			
Arkansas school recognition program	\$ 173,683		
Enhanced student achievement funding	47,136		
English-language learners	14,576		
Professional development	17,826		
Child nutrition programs		\$ 266,107	
Child care grant	212,250		
Medical services		56,952	
Special education programs	40,938		
Education stabilization fund (COVID-19)		108,431	
Other purposes	20,635	59,172	
Total Restricted	<u>527,044</u>	<u>490,662</u>	
Assigned to:			
Capital projects			2,976,072
Student activities	384,982		
Preschool program	179,281		
Total Assigned	<u>564,263</u>		<u>2,976,072</u>
Unassigned	<u>1,984,505</u>		
Totals	<u>\$3,075,812</u>	<u>\$ 490,662</u>	<u>\$3,086,387</u>

**14: SUBSEQUENT EVENTS**

On December 17, 2021, the District purchased a 30.37 acre tract of land on North Mount Pleasant Road for \$737,111.

On March 15, 2022, the District purchased a 50 acre tract of land on Highway 72 and Stagecoach Road for \$1,300,685.

On April 1, 2022, the District entered into a construction contract in the amount of \$1,647,295 for a drainage and turf system on the football, baseball, and softball fields. On April 18, 2022, the Board approved a general obligation debt bid in the amount of \$1,400,000 for the financing of the construction project. As of the report date, the financing agreement had not been entered into by the District.

GRAVETTE SCHOOL DISTRICT NO. 20  
 BENTON COUNTY, ARKANSAS  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2021  
 (Unaudited)

Schedule 1

	Balance June 30, 2021
Nondepreciable capital assets:	
Land	\$ 450,618
Depreciable capital assets:	
Buildings	51,625,375
Improvements/infrastructure	6,899,687
Equipment	5,877,984
Total depreciable capital assets	64,403,046
Less accumulated depreciation for:	
Buildings	13,572,498
Improvements/infrastructure	1,906,697
Equipment	4,126,991
Total accumulated depreciation	19,606,186
Total depreciable capital assets, net	44,796,860
Capital assets, net	\$ 45,247,478

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	0404		\$ 368,116
Arkansas Department of Education - National School Lunch Program	10.555	0404		620,094
Arkansas Department of Human Services - National School Lunch Program (Note 3)	10.555	0404		74,972
Total for National School Lunch Program				695,066
Total U. S. Department of Agriculture				1,063,182
<b>TOTAL CHILD NUTRITION CLUSTER</b>				1,063,182
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	0404		344,166
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>				344,166
<b>OTHER PROGRAMS</b>				
<u>U.S. Department of the Treasury</u>				
Arkansas Department of Education - COVID-19 - Coronavirus Relief Fund	21.019	0404		122,908
Total U.S. Department of the Treasury				122,908
<u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	0404		348,954
Total Education Stabilization Fund				348,954
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	0404		279,633
Arkansas Department of Education - Migrant Education - State Grant Program	84.011A	0404		5,402
Arkansas Department of Education - Twenty-First Century Community Learning Centers	84.287C	0404		48,313
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	0404		48,000
Arkansas Department of Education - Comprehensive Literacy Development	84.371C	0404		29,200
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	0404		1,501
Total U. S. Department of Education				761,003
<b>TOTAL OTHER PROGRAMS</b>				883,911
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			\$ 0	\$ 2,291,259

The accompanying notes are an integral part of this schedule.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2021

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 Gravette School District No. 20 (District) under programs of the federal government for the year ended June 30, 2021. 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, 2021, the District received Medicaid funding of \$67,366 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

GRAVETTE SCHOOL DISTRICT NO. 20  
 BENTON COUNTY, ARKANSAS  
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
 FOR THE YEAR ENDED JUNE 30, 2021

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:

<input checked="" type="radio"/> Material weakness(es) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported
Noncompliance material to financial statements noted?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no

**FEDERAL AWARDS**

Internal control over major federal programs:

<input checked="" type="radio"/> Material weakness(es) identified?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	none reported

Type of auditor's report issued on compliance for major federal programs: unmodified for all major programs except for COVID-19 - Education Stabilization Fund, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
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Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
10.553 and 10.555 84.425D	Child Nutrition Cluster COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**MATERIAL WEAKNESSES**

U.S. DEPARTMENT OF EDUCATION  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND - AL NUMBER 84.425D  
PASS-THROUGH NUMBER 0404  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2021

2021-001. Allowable Costs/Cost Principles

Criteria or specific requirement: Office of Management and Budget (OMB) 2 CFR, part 200, subpart E - Cost Principles establishes principles for determining 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: During our examination of expenditures, we identified a duplicate reclassifying journal entry, resulting in unallowable costs totaling \$38,322 that were paid from the COVID-19-Education Stabilization Funds.

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

Effect or potential effect: Unallowable costs of \$38,322 were paid from COVID-19-Education Stabilization Fund.

Questioned costs: The amount of questioned costs was \$38,322.

Context: An examination of 2 journal entries totaling \$94,269 from a population of 7 journal entries totaling \$141,325.

Recommendation: The District should contact the Arkansas Division of Elementary and Secondary Education (DESE) for guidance regarding this matter and implement proper controls over program expenditures.

Views of responsible officials: The District notes that the statutory window with respect to expenditures for the fund in question remains open, and that the funds will be utilized/expended in the subsequent fiscal year with the expectation that there will be no loss of funding. The District will follow legislative audit's recommendation to contact the state to determine the best course of action with respect to the duplicate entry.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 3

2021-002. Allowable Costs/Cost Principles

Criteria or specific requirement: Purchases of equipment and other capital expenditures require the prior written approval of the Federal awarding agency or pass-through entity, as specified in OMB 2 CFR section 200.439.

Condition: During our examination of expenditures, we identified a facilities improvement purchase and five equipment purchases in which the District did not obtain prior written approval. These purchases had a total cost of \$74,238.

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

Effect or potential effect: Unallowable costs of \$74,238 were paid from COVID-19-Education Stabilization Fund.

Questioned costs: The amount of questioned costs was \$74,238.

Context: As a result of an examination of 3 checks (totaling \$22,018) from a population of 28 checks (totaling \$241,351), it was determined that purchases of capital improvements and equipment did not contain evidence of prior written approval from the pass-through agency; as a result we identified 6 unauthorized purchases totaling \$74,238.

Recommendation: The District should contact the Arkansas Division of Elementary and Secondary Education (DESE) for guidance regarding this matter and implement proper controls over program expenditures.

Views of responsible officials: The District notes that ESSER-related compliance checks have been primarily driven by the state. No formal mechanism was in place to seek purchases that required approval until the release of form by the state in May of 2021. Nevertheless, the District will communicate these requirements to purchasing staff and ensure that approval has been obtained in advance for applicable purchases.

2021-003. Equipment and Real Property Management

Criteria or specific requirement: Property records should be maintained for equipment acquired with federal awards as specified in OMB 2 CFR section 200.313.

Condition: A test of disbursements revealed 25 equipment items purchased with a cost greater than \$1,000 each were not recorded in the District's equipment subsidiary ledger. The total cost of the equipment was \$54,327.

Cause: Lack of internal controls over the equipment subsidiary ledger.

Effect or potential effect: The District's equipment subsidiary records were not accurate.

Context: As a result of an examination of 10 percent of equipment purchases, it was determined that equipment purchases greater than \$1,000 were not always properly added to the equipment subsidiary ledger; as a result, we identified 25 pieces of equipment totaling \$54,327.

Recommendation: Proper records should be maintained for equipment acquired with federal awards.

Views of responsible officials: The District notes that the year under audit included unusually large volume of outlays for capital expenditures. Nevertheless, the District will follow the audit team's recommendations and review procedures in this area to ensure that the classification of expenditures as capital is complete.

# Gravette Public Schools

609 Birmingham Street S.E.  
Gravette, Arkansas 72736  
Office: 479.787.4100  
Fax: 479.787.4108  
gravetteschools.net

Schedule 4



Maribel Childress,  
Superintendent of Schools  
609 Birmingham Street SE  
479-787-4100

Rebecca Sears,  
Assistant Superintendent  
609 Birmingham Street SE  
479-787-4100

Nikki Brecheen, Principal  
Glenn Duffy Elementary  
601 El Paso Street SE  
479-787-4120

Dr. Mandy Barrett, Principal  
Gravette Upper Elementary  
500 8th Ave SE  
479-787-4140

Kelly Hankins, Principal  
Gravette Middle School  
607 Dallas St SE  
479-787-4160

Shannon Mitchell, Principal  
Gravette High School  
325 Lion Drive S  
479-787-4180

Taos Jones, Assistant Principal  
Gravette High School  
325 Lion Drive S  
479-787-4180

Vickie Johnston, Director  
Special Education  
601 El Paso Street SE  
479-787-4120

Richard Carver, Director  
Transportation and Maintenance  
1133 Main St SE  
479-787-4100

Sheila Roughton, Director  
Food Services  
406 6<sup>th</sup> Avenue SE  
479-787-4100

Daniel Rice, Director  
Technology  
406 6<sup>th</sup> Avenue SE  
479-787-4100

Norman Mitchell, Director  
Athletics  
325 Lion Drive S  
479-787-4180

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2021

### FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

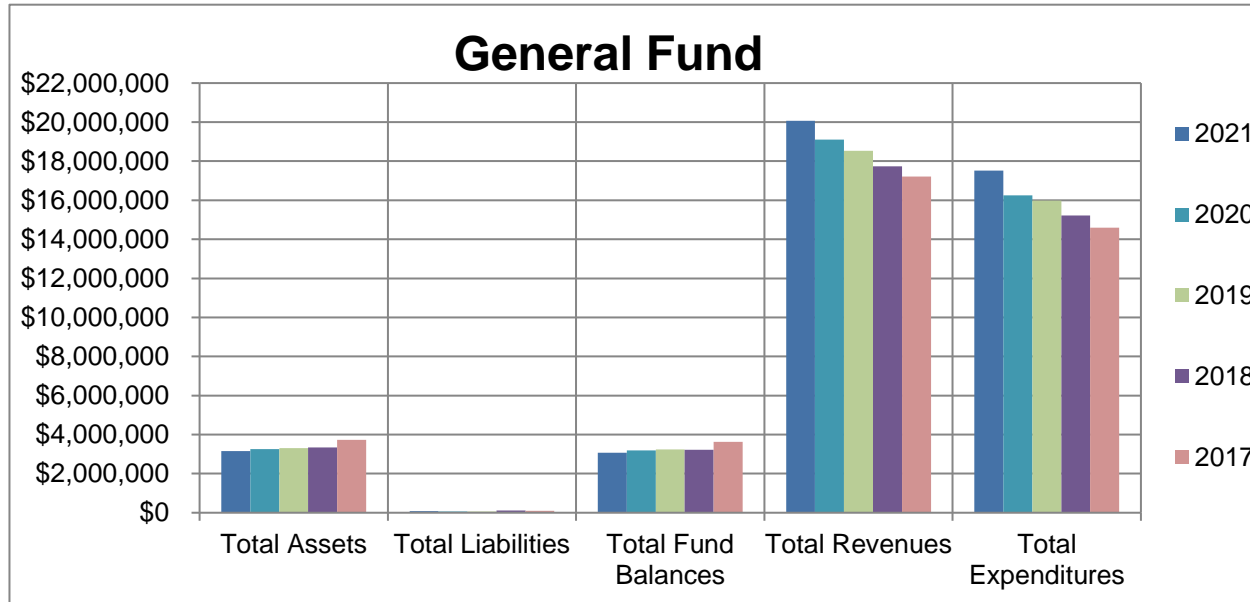
### FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2021  
(Unaudited)

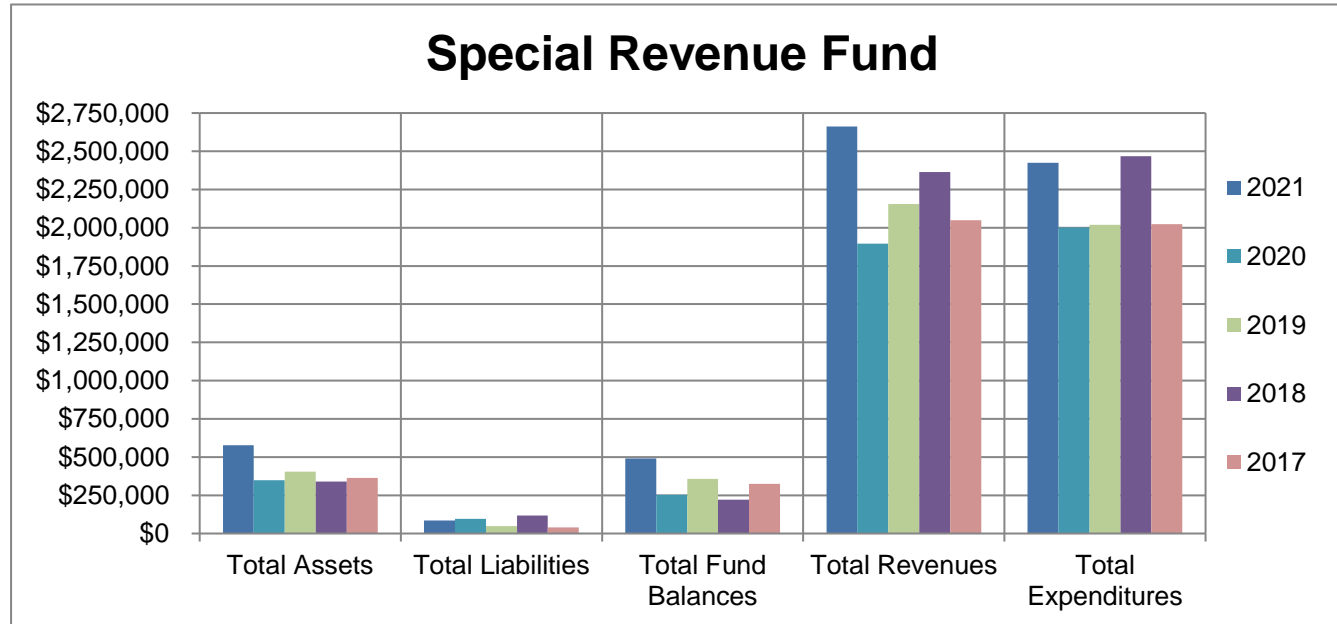
<b>General Fund</b>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 3,153,645	\$ 3,257,412	\$ 3,310,075	\$ 3,334,582	\$ 3,722,667
Total Liabilities	77,833	69,949	66,461	112,771	96,132
Total Fund Balances	3,075,812	3,187,463	3,243,614	3,221,811	3,626,535
Total Revenues	20,072,120	19,114,374	18,531,618	17,739,256	17,214,930
Total Expenditures	17,510,120	16,242,978	15,984,710	15,225,393	14,599,403
Total Other Financing Sources (Uses)	(2,760,415)	(2,927,547)	(2,525,105)	(2,918,587)	(1,930,077)



GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2021  
(Unaudited)

<b>Special Revenue Fund</b>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 576,722	\$ 348,112	\$ 405,576	\$ 339,723	\$ 364,291
Total Liabilities	86,060	95,532	47,691	117,830	39,797
Total Fund Balances	490,662	252,580	357,885	221,893	324,494
Total Revenues	2,662,992	1,896,386	2,155,454	2,364,885	2,048,445
Total Expenditures	2,424,910	2,001,691	2,018,462	2,467,446	2,023,429
Total Other Financing Sources (Uses)			(1,000)	(40)	



GRAVETTE SCHOOL DISTRICT NO. 20  
BENTON COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2021  
(Unaudited)

<b>Other Aggregate Funds</b>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 3,086,387	\$ 3,171,174	\$ 13,466,955	\$ 2,745,872	\$ 2,919,380
Total Liabilities		1,514,685	991,599		274,380
Total Fund Balances	3,086,387	1,656,489	12,475,356	2,745,872	2,645,000
Total Revenues	4,523	156,007	180,697	5,521	4,202
Total Expenditures	1,938,617	13,964,271	5,786,318	2,821,335	3,052,843
Total Other Financing Sources (Uses)	3,363,992	2,989,397	15,335,105	2,916,686	1,930,077

