

Mineral Springs School District No. 3

Howard County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2025



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HOWARD COUNTY, ARKANSAS
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Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Mineral Springs School District No. 3 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 Mineral Springs School District No. 3 (the "District"), as of and for the year ended June 30, 2025, 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.

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 District as of June 30, 2025, 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 District as of June 30, 2025, 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 (*Government Auditing Standards*). 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 District, 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 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, 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 District'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 District'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 District'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 and the Schedule of Selected Information for the Last Five Years – Regulatory Basis but does not include the regulatory basis financial statements and our auditor's report thereon. 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 May 5, 2026 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

A handwritten signature in dark ink, appearing to read "Kevin White", with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
May 5, 2026
EDSD16525

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
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

Mineral Springs School District No. 3 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 (*Government Auditing Standards*), the financial statements of each major governmental fund and the aggregate remaining fund information of the Mineral Springs School District No. 3 (the "District"), as of and for the year ended June 30, 2025, 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 May 5, 2026. 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 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 District as of June 30, 2025, 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 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 or significant deficiencies may exist that were not identified.

Report on 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*.

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

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
May 5, 2026

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2025

Exhibit A

	Governmental Funds			
	Major			
	General	Special Revenue	Other Aggregate	Fiduciary Fund Types
ASSETS				
Cash	\$ 889,323		\$ 173,388	\$ 1,722
Investments	73,017		802,177	
Accounts receivable	12,288	\$ 51,206		
Due from other funds	36,940			
TOTAL ASSETS	<u>\$ 1,011,568</u>	<u>\$ 51,206</u>	<u>\$ 975,565</u>	<u>\$ 1,722</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 65,543	\$ 5,760	\$ 12,388	
Due to other funds		36,940		
Total Liabilities	<u>65,543</u>	<u>42,700</u>	<u>12,388</u>	
Fund Balances:				
Restricted	65,615	8,506		\$ 1,722
Assigned	80,749		963,177	
Unassigned	799,661			
Total Fund Balances	<u>946,025</u>	<u>8,506</u>	<u>963,177</u>	<u>1,722</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,011,568</u>	<u>\$ 51,206</u>	<u>\$ 975,565</u>	<u>\$ 1,722</u>

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

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 6,482,170		
State assistance	1,534,639	\$ 4,593	
Federal assistance		775,334	
Activity revenues	103,920		
Meal sales		41,058	
Investment income	30,575		\$ 43,091
Other revenues	158,804		
TOTAL REVENUES	8,310,108	820,985	43,091
EXPENDITURES			
Regular programs	3,026,988	4,961	
Special education	381,457	106,016	
Career education programs	332,121		
Compensatory education programs	202,238	145,032	
Other instructional programs	152,227		
Student support services	257,179	94,350	
Instructional staff support services	115,507	45,429	
General administration support services	497,294	125,097	
School administration support services	223,017		
Central services support services	434,856		
Operation and maintenance of plant services	1,042,627		
Student transportation services	215,484	13,502	
Other support services	6,532		
Food services operations	8,342	470,796	
Community services operations		202	
Facilities acquisition and construction services	16,400		524,599
Non-programmed costs		10,000	
Activity expenditures	101,915		
Debt Service:			
Principal retirement	101,067		705,000
Interest and fiscal charges	7,764		441,231
TOTAL EXPENDITURES	7,123,015	1,015,385	1,670,830
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,187,093	(194,400)	(1,627,739)
OTHER FINANCING SOURCES (USES)			
Transfers in	204,832	161,167	1,146,231
Transfers out	(1,307,398)		(204,832)
TOTAL OTHER FINANCING SOURCES (USES)	(1,102,566)	161,167	941,399
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	84,527	(33,233)	(686,340)
FUND BALANCES - JULY 1	861,498	41,739	1,649,517
FUND BALANCES - JUNE 30	\$ 946,025	\$ 8,506	\$ 963,177

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

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD 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, 2025

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 6,545,000	\$ 6,482,170	\$ (62,830)			
State assistance	1,447,251	1,534,639	87,388	\$ 1,300	\$ 4,593	\$ 3,293
Federal assistance				814,539	775,334	(39,205)
Activity revenues		103,920	103,920			
Meal sales				51,340	41,058	(10,282)
Investment income	28,000	30,575	2,575			
Other revenues	183,970	158,804	(25,166)			
TOTAL REVENUES	8,204,221	8,310,108	105,887	867,179	820,985	(46,194)
EXPENDITURES						
Regular programs	3,179,055	3,026,988	152,067	13,833	4,961	8,872
Special education	430,088	381,457	48,631	134,577	106,016	28,561
Career education programs	306,333	332,121	(25,788)			
Compensatory education programs	240,387	202,238	38,149	160,469	145,032	15,437
Other instructional programs	182,986	152,227	30,759			
Student support services	291,745	257,179	34,566	45,717	94,350	(48,633)
Instructional staff support services	114,276	115,507	(1,231)	54,691	45,429	9,262
General administration support services	448,756	497,294	(48,538)	131,731	125,097	6,634
School administration support services	223,483	223,017	466			
Central services support services	439,411	434,856	4,555			
Operation and maintenance of plant services	1,083,143	1,042,627	40,516			
Student transportation services	292,758	215,484	77,274	11,720	13,502	(1,782)
Other support services	6,000	6,532	(532)			
Food services operations	10,000	8,342	1,658	438,811	470,796	(31,985)
Community services operations				2,001	202	1,799
Facilities acquisition and construction services		16,400	(16,400)			
Non-programmed costs				10,000	10,000	
Activity expenditures		101,915	(101,915)			
Debt Service:						
Principal retirement		101,067	(101,067)			
Interest and fiscal charges		7,764	(7,764)			
TOTAL EXPENDITURES	7,248,421	7,123,015	125,406	1,003,550	1,015,385	(11,835)

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD 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, 2025

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 955,800</u>	<u>\$ 1,187,093</u>	<u>\$ 231,293</u>	<u>\$ (136,371)</u>	<u>\$ (194,400)</u>	<u>\$ (58,029)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	9,321,020	204,832	(9,116,188)	154,303	161,167	6,864
Transfers out	<u>(10,388,677)</u>	<u>(1,307,398)</u>	<u>9,081,279</u>	<u>(17,932)</u>		<u>17,932</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,067,657)</u>	<u>(1,102,566)</u>	<u>(34,909)</u>	<u>136,371</u>	<u>161,167</u>	<u>24,796</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(111,857)	84,527	196,384	0	(33,233)	(33,233)
FUND BALANCES - JULY 1	<u>937,395</u>	<u>861,498</u>	<u>(75,897)</u>	<u>36,306</u>	<u>41,739</u>	<u>5,433</u>
FUND BALANCES - JUNE 30	<u><u>\$ 825,538</u></u>	<u><u>\$ 946,025</u></u>	<u><u>\$ 120,487</u></u>	<u><u>\$ 36,306</u></u>	<u><u>\$ 8,506</u></u>	<u><u>\$ (27,800)</u></u>

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

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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 Mineral Springs 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. 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.

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 compensated absences and 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.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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 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.

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.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. 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 District'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.

I. 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.

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. 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.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Budget and Budgetary Accounting (Continued)

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.

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.

M. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost. The District's cash deposits at June 30, 2025, were as follows:

	Bank Balance
Insured (FDIC)	\$ 506,430
Collateralized:	
Collateral held by the pledging financial institution's trust department or agent in the District's name	1,727,277
Total Deposits	<u>\$ 2,233,707</u>

The above total deposits include certificates of deposit of \$875,194 reported as investments and classified as nonparticipating contracts.

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2025, were comprised of the following:

	Governmental Funds	
	Major	
Description	General	Special Revenue
State assistance	\$ 12,288	\$ 185
Federal assistance		51,021
Totals	<u>\$ 12,288</u>	<u>\$ 51,206</u>

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2025, were comprised of the following:

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Vendor payables	\$ 65,341	\$ 5,760	\$ 12,388
Payroll withholdings and matching	202		
Totals	<u>\$ 65,543</u>	<u>\$ 5,760</u>	<u>\$ 12,388</u>

5: COMMITMENTS

The District was contractually obligated for the following at June 30, 2025:

Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2025	Maturities To June 30, 2025
<u>Bonds</u>					
5/1/13	2/1/29	1 - 2.35%	\$ 435,000	\$ 130,000	\$ 305,000
12/15/20	6/1/33	.35 - 1.05%	1,260,000	835,000	425,000
3/24/21	6/1/47	1.2 - 5%	18,625,000	16,970,000	1,655,000
Total Bonds			<u>20,320,000</u>	<u>17,935,000</u>	<u>2,385,000</u>
<u>Direct Borrowings</u>					
7/15/23	7/15/26	0.00%	304,876	152,438	152,438
8/4/23	7/15/28	6.205%	137,158	112,310	24,848
Total Direct Borrowings			<u>442,034</u>	<u>264,748</u>	<u>177,286</u>
Total Long-Term Debt			<u>\$ 20,762,034</u>	<u>\$ 18,199,748</u>	<u>\$ 2,562,286</u>

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

5: COMMITMENTS (Continued)

Changes in Long-term Debt

	Balance July 1, 2024	Issued	Retired	Balance June 30, 2025
Bonds payable	\$ 18,640,000		\$ 705,000	\$ 17,935,000
<u>Direct Borrowings</u>				
Financed purchases	365,815		101,067	264,748
Total Long-Term Debt	<u>\$ 19,005,815</u>	<u>\$ 0</u>	<u>\$ 806,067</u>	<u>\$ 18,199,748</u>

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 735,000	\$ 408,872	\$ 1,143,872	\$101,789	\$ 7,042	\$108,831
2027	770,000	377,328	1,147,328	103,393	5,438	108,831
2028	775,000	368,215	1,143,215	28,878	3,735	32,613
2029	780,000	357,610	1,137,610	30,688	1,924	32,612
2030	765,000	345,790	1,110,790			
2031-2035	3,810,000	1,527,315	5,337,315			
2036-2040	3,910,000	1,125,118	5,035,118			
2041-2045	4,440,000	619,515	5,059,515			
2046-2047	1,950,000	79,380	2,029,380			
Totals	<u>\$17,935,000</u>	<u>\$5,209,143</u>	<u>\$23,144,143</u>	<u>\$264,748</u>	<u>\$18,139</u>	<u>\$282,887</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.

6: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$20,320,000 issued from May 1, 2013 to March 24, 2021. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$23,144,143, payable through June 1, 2047. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,143,817 and \$1,715,869, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 66.66 percent.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

7: INTERFUND TRANSFERS

The District transferred \$1,146,231 from the general fund to the other aggregate funds for debt related payments. Additionally, the District transferred \$161,167 from the general fund to the special revenue fund to supplement its food service operations. The District also transferred \$204,832, previously assigned for capital projects, from the other aggregate funds to the general fund for operating purposes.

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 501-682-1517, or by visiting the ATRS website at www.artrs.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7% 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 15% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2025, were \$661,459, 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, 2024, (actuarial valuation date and measurement date) was \$5,029,641.

9: CHANGES IN PRIVATE-PURPOSE FUNDS

ADDITIONS	
Donations	\$ 580
CHANGE IN FUND BALANCE	580
FUND BALANCE - JULY 1	1,142
FUND BALANCE - JUNE 30	\$ 1,722

10: RISK MANAGEMENT

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

The District carries commercial insurance for board liability, student accidents, and accidental death and dismemberment.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

10: RISK MANAGEMENT (Continued)

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

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

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

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

11: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$187,366 for the year ended June 30, 2025.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 9,117		
Enhanced student achievement funding	38,542		
English-language learners	3,507		
Professional development	4,462		
Child nutrition programs		\$ 314	
Medical services		7,085	
Special education programs	8,790		
Other purposes	1,197	1,107	
Total Restricted	<u>65,615</u>	<u>8,506</u>	
Assigned to:			
Capital projects			\$ 963,177
Student activities	80,749		
Total Assigned	<u>80,749</u>		<u>963,177</u>
Unassigned	<u>799,661</u>		
Totals	<u>\$ 946,025</u>	<u>\$ 8,506</u>	<u>\$ 963,177</u>

13: SEPARATION AGREEMENT

On July 24, 2024, the District's Board of Education executed a Separation Agreement, Covenant Not to Sue and Release ("Agreement") with Superintendent Billy Lee. In accordance with the Agreement, the Superintendent submitted his resignation effective July 15, 2024. The District paid the Superintendent a lump sum payment of \$220,000, which represented wages under the terms of the contract for the 2024-2025 and 2025-2026 school years. The District also paid the Superintendent the balance of his accrued sick and annual leave, pursuant to District policy, which totaled \$5,758 and \$10,885, respectively. All amounts were paid by August 31, 2024.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

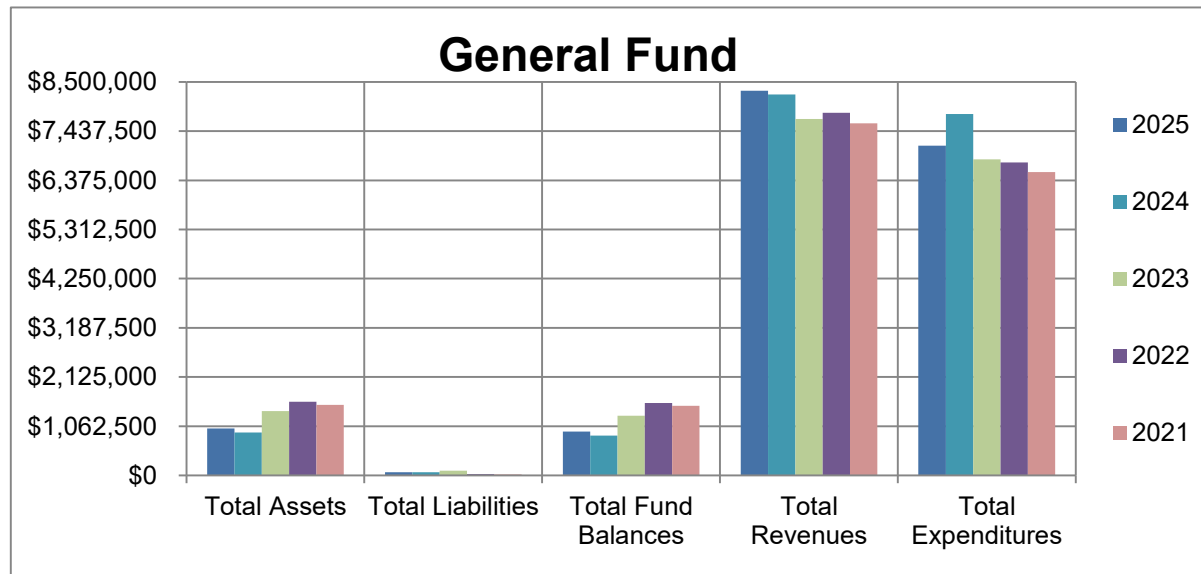
Schedule 1

	Balance June 30, 2025
Nondepreciable capital assets:	
Land	\$ 391,969
Depreciable capital assets:	
Buildings	26,620,682
Improvements/infrastructure	2,896,270
Equipment	3,530,741
Total depreciable capital assets	<u>33,047,693</u>
Less accumulated depreciation for:	
Buildings	6,252,171
Improvements/infrastructure	966,347
Equipment	2,215,705
Total accumulated depreciation	<u>9,434,223</u>
Total depreciable capital assets, net	<u>23,613,470</u>
Capital assets, net	<u><u>\$ 24,005,439</u></u>

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

Schedule 2

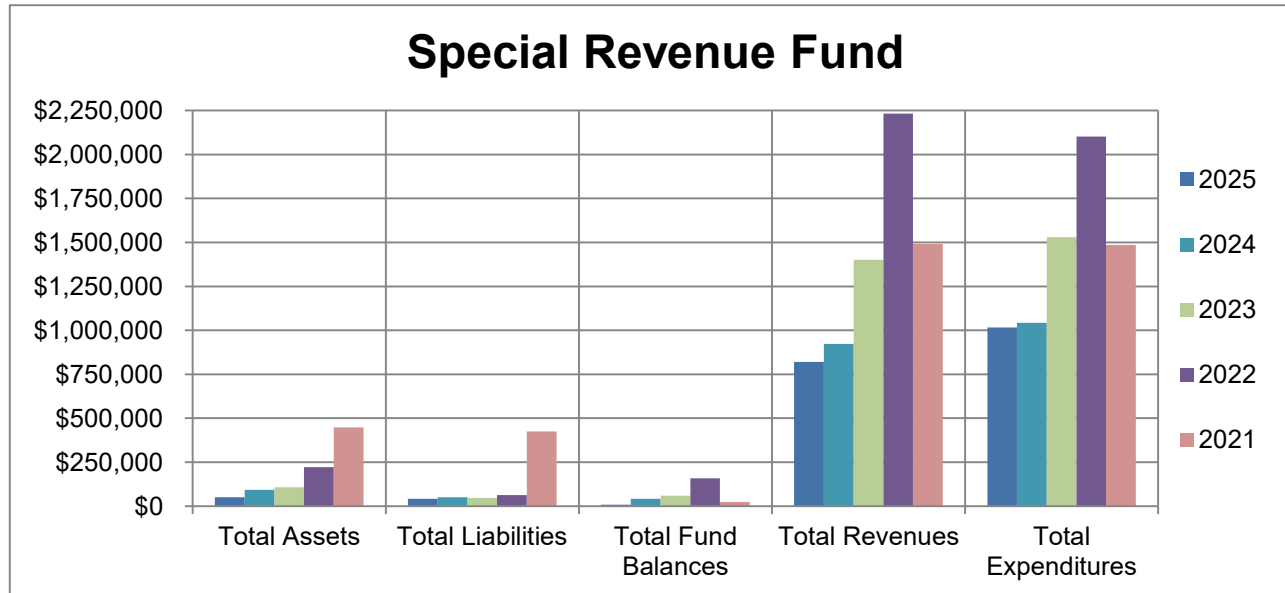
General Fund	Year Ended June 30,				
	2025	2024	2023	2022	2021
Total Assets	\$ 1,011,568	\$ 928,455	\$ 1,387,198	\$ 1,591,738	\$ 1,522,450
Total Liabilities	65,543	66,957	98,614	25,445	22,196
Total Fund Balances	946,025	861,498	1,288,584	1,566,293	1,500,254
Total Revenues	8,310,108	8,227,840	7,702,728	7,832,600	7,605,277
Total Expenditures	7,123,015	7,810,753	6,825,562	6,759,512	6,551,382
Total Other Financing Sources (Uses)	(1,102,566)	(844,173)	(1,154,875)	(1,007,049)	(1,790,371)



MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

Schedule 2

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2025	2024	2023	2022	2021
Total Assets	\$ 51,206	\$ 92,685	\$ 107,260	\$ 221,757	\$ 448,598
Total Liabilities	42,700	50,946	47,986	62,831	424,612
Total Fund Balances	8,506	41,739	59,274	158,926	23,986
Total Revenues	820,985	922,102	1,401,139	2,231,342	1,491,018
Total Expenditures	1,015,385	1,042,589	1,529,936	2,101,857	1,485,316
Total Other Financing Sources (Uses)	161,167	102,952	29,145	5,455	



MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

Schedule 2

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2025	2024	2023	2022	2021
Total Assets	\$ 975,565	\$ 1,650,226	\$ 3,262,057	\$ 3,404,548	\$ 3,559,350
Total Liabilities	12,388	709	329,970	781	10,476
Total Fund Balances	963,177	1,649,517	2,932,087	3,403,767	3,548,874
Total Revenues	43,091	111,064	8,185	3,547	9,257
Total Expenditures	1,670,830	2,538,438	1,634,740	1,155,703	829,851
Total Other Financing Sources (Uses)	941,399	1,144,804	1,154,875	1,007,049	1,929,750

