

Financial Statements

Southwest Arkansas Planning and Development District, Inc.

For the Year Ended June 30, 2020

Southwest Arkansas Planning and Development District, Inc.

Table of Contents

Independent Auditor's Report on Financial Statements and Supplementary Information	1-2
Financial Statements	
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	6
Notes to the Financial Statements	7-12
Supplemental Schedule	
Schedule of Expenditures of Federal Awards and Related Notes	13-14
Other Reports	
Independent Auditor's 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	15-16
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	17-18
Schedule of Findings and Questioned Costs	19-20
Corrective Action Plan	21
Summary Schedule of Prior Audit Findings	22



To the Board of Directors
Southwest Arkansas Planning and Development District, Inc.
Magnolia, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of **Southwest Arkansas Planning and Development District, Inc.** (the District), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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 an opinion 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 entity'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 entity'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 opinion.

To the Board of Directors
Southwest Arkansas Planning and Development District, Inc.

Opinion

In our opinion, the financial statements referred to on the preceding page present fairly, in all material respects, the financial position of the **Southwest Arkansas Planning and Development District, Inc.** as of June 30, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit 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), and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated May 30, 2024 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.

Emphasis of Matter

As disclosed in Note 1 to the financial statements, the District adopted the requirements of the Financial Accounting Standards Board Accounting Standards Update No. 2014-09, *Revenues from Contracts with Customers*, and No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, on July 1, 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
May 30, 2024

Southwest Arkansas Planning and Development District, Inc.

Statement of Financial Position June 30, 2020

Assets

Current Assets

Cash and cash equivalents	\$	207,104
Accounts receivable		132,175
Investments		948,163
Prepaid expenses and other current assets		<u>27,394</u>

Total Current Assets 1,314,836

Property and Equipment, net 755,761

Total Assets \$ 2,070,597

Liabilities and Net Assets

Current Liabilities

Accounts payable	\$	51,779
Accrued expenses		151,933
Refundable advances		<u>25,333</u>

Total Current Liabilities 229,045

Net Assets

Without donor restrictions		<u>1,841,552</u>
----------------------------	--	------------------

Total Liabilities and Net Assets \$ 2,070,597

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

Southwest Arkansas Planning and Development District, Inc.

Statement of Activities

For the Year Ended June 30, 2020

Changes in Net Assets without Donor Restrictions

Revenue

Grants from governmental agencies	\$ 1,348,536
Dues from counties and cities	62,476
Program service fees	287,100
Investment income, net	49,947
Gain (loss) on disposal of assets	<u>(14,627)</u>

Total Revenue

1,733,432

Expenses

Program Services	
Employment and training	1,201,847
Community and economic development	<u>510,887</u>

Total Program Services

1,712,734

Supporting Services

Management and General	<u>104,213</u>
------------------------	----------------

Total Expenses

1,816,947

Change in Net Assets

(83,515)

Net Assets, Beginning of Year

1,925,067

Net Assets, End of Year

\$ 1,841,552

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

Southwest Arkansas Planning and Development District, Inc.

Statement of Functional Expenses For the Year Ended June 30, 2020

	Program Services			Supporting Services	
	Community and Economic Development	Employment and Training	Total Program Services	Management and General	Total
Personnel Costs					
Salaries and payroll taxes	\$ 303,537	\$ 516,986	\$ 820,523	\$ 73,353	\$ 893,876
Fringe benefits	54,454	127,095	181,549	16,088	197,637
Total Personnel Costs	357,991	644,081	1,002,072	89,441	1,091,513
Other Expenses					
Advertising	-	2,653	2,653	42	2,695
Consumable supplies	5,207	9,155	14,362	13,750	28,112
Contract labor	3,000	-	3,000	10,000	13,000
Depreciation	19,865	15,037	34,902	5,894	40,796
Furniture and fixtures	-	-	-	8,019	8,019
Insurance	895	3,448	4,343	20,424	24,767
Meetings	766	-	766	4,236	5,002
Needs related payments	-	12,570	12,570	-	12,570
Professional fees	7,746	9,241	16,987	36,379	53,366
Office expense	8,822	6,988	15,810	37,773	53,583
Rent	468	16,490	16,958	727	17,685
Repairs and maintenance	3,816	15,281	19,097	29,662	48,759
Travel and training	27,230	18,007	45,237	3,796	49,033
Utilities	8,720	58,654	67,374	13,750	81,124
Indirect	66,361	103,319	169,680	(169,680)	-
Total Other Expenses	152,896	270,843	423,739	14,772	438,511
Direct Program Expenses					
Child care and supportive services	-	7,824	7,824	-	7,824
Training expenses	-	218,479	218,479	-	218,479
Transportation	-	18,089	18,089	-	18,089
Work experience	-	42,031	42,031	-	42,031
Youth contact and incentives	-	500	500	-	500
Total Direct Program Expenses	-	286,923	286,923	-	286,923
Total Expenses	\$ 510,887	\$ 1,201,847	\$ 1,712,734	\$ 104,213	\$ 1,816,947

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

Southwest Arkansas Planning and Development District, Inc.

Statement of Cash Flows For the Year Ended June 30, 2020

Cash Flows from Operating Activities

Change in net assets	\$ (83,515)
Adjustments to reconcile change in net assets to net cash used in operating activities:	
Depreciation expense	40,796
Unrealized (gain) loss on investments	(16,622)
(Gain) loss on disposal of assets	14,627
(Increase) decrease in current assets:	
Accounts receivable	25,521
Interest receivable	126
Inventory	3,311
Prepaid expenses and other current assets	2,270
Increase (decrease) in current liabilities:	
Accounts payable	(23,098)
Accrued expenses	11,912
Refundable advances	15,733

Net Cash Used in Operating Activities	(8,939)
--	----------------

Cash flows from Investing Activities

Investment purchases	(303,133)
Investment maturities	295,906
Purchase of property and equipment	(37,004)

Net Cash Used in Investing Activities	(44,231)
--	-----------------

Net Decrease in Cash and Cash Equivalents	(53,170)
--	-----------------

Cash and Cash Equivalents at Beginning of Year	260,274
---	----------------

Cash and Cash Equivalents and End of Year	\$ 207,104
--	-------------------

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

Southwest Arkansas Planning and Development District, Inc.

Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the District – The Southwest Arkansas Planning and Development District, Inc. (the District) is a nonprofit organization, which collects dues from county and city governments within a twelve county area in Southwest Arkansas and is actively engaged in obtaining and administering various contracts and grants with state and federal agencies.

Basis of Presentation – The financial statements of the District have been prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

The District presents information regarding financial position and activities according to the following two classes of net assets:

Net Assets without Donor Restrictions – Net assets that are not subject to or are no longer subject to donor-imposed stipulations. The only limits on the use of net assets without donor restrictions are the broad limits resulting from the nature of the District, the environment in which it operates and the overall purpose and mission of the District.

Net Assets with Donor Restrictions – Net assets whose use is limited by donor-imposed time and/or purpose restrictions.

Estimates – The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash Equivalents – For purposes of the statement of cash flows, the District considers all cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

The District maintains its cash in demand and interest-bearing deposit accounts, money market accounts and certificates of deposit at several financial institutions and investment banking firms. At times during the year ended June 30, 2020, cash, cash equivalents and certificate of deposit balances may have exceeded amounts insured by the Federal Deposit Insurance Corporation (FDIC) or the Securities Investor Protection Corporation (SIPC) and were not collateralized. In the event of an institutional failure, the excess over FDIC or SIPC limits may not be recoverable. Management believes that such accounts are maintained with reputable financial institutions and investment banking firms and the District has not experienced any losses in these accounts to date.

Accounts Receivable – Accounts receivable consists primarily of receivables from state and local governments. The District uses the allowance method of accounting for bad debts. Management reviews and evaluates accounts receivable periodically and evaluates the collectability of each balance. Based on management's experience and judgment, a reserve is recorded for accounts receivable at risk. When management determines an amount to be uncollectible, it is charged against the allowance. There was no balance in the allowance for doubtful accounts at June 30, 2020. The opening receivable balance at July 1, 2019 was \$156,435.

Southwest Arkansas Planning and Development District, Inc.

Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - Investments are reported at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly fashion between market participants at the measurement date.

Purchases and sales are recorded on the trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date. Net appreciation or depreciation includes gains and losses on investments bought and sold, as well as those held during the year. Investment income as presented on the statement of activities includes dividends, interest, as well as realized and unrealized gains and losses, and is net of investment expenses.

Investment income and gains restricted by donors are reported as increases in net assets without donor restrictions if the restrictions are met (either a stipulated time period ends or a purpose restriction is accomplished) during the reporting period in which the investment returns are recognized and are appropriated for expenditures. Otherwise, investment returns are reported as increases in net assets with donor restrictions.

Property and Equipment – Property and equipment are recorded at cost or at estimated fair value at the date of gift. Donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. The District follows the practice of capitalizing all expenditures for equipment in excess of \$5,000. Depreciation is provided using the straight-line method over the estimated useful lives of the assets, generally as follows:

Building and Improvements	5 - 40 years
Furniture and Equipment	3 - 10 years

The District uses equipment in its operations, which is owned by the Department of Labor. This equipment is used in the Workforce Innovation and Opportunity Act (WIOA) programs. The total cost of this equipment at June 30, 2020 is approximately \$324,000. This equipment is not leased and is needed to fulfill the requirements of grants. The equipment has been paid for with funds from those grants.

Revenue and Revenue Recognition – The District recognizes contributions when cash, securities or an unconditional promise to give is received or when the District becomes aware that a promise to give has been made, whichever occurs first. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

Contributions that are restricted by the donor are reported as increases in net assets without donor restrictions if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

Southwest Arkansas Planning and Development District, Inc.

Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Management expects all contributions receivable to be fully collected; therefore, no allowance for uncollectible accounts has been recorded. Management has not discounted amounts due in future years as any such discount would not be material to the financial statements.

Employee Benefit Allocation Plan and Indirect Cost Allocation Plan – Employee benefits are allocated to the grants/contracts on a percentage determined by dividing the employee benefit costs by the chargeable salaries (salaries less release time for vacation, sick leave, and holiday). Estimated rates were determined on a monthly basis. The actual rate was 62.41% for the fiscal year ended June 30, 2020.

The District's indirect cost allocation plan charges indirect costs to the grants/contracts on a percentage determined by dividing the indirect costs for the period by the total direct personnel cost. Direct charges for rent, equipment rental, printing and reproduction, telephone, and postage are made to the applicable grants/contracts. The estimated rate for the fiscal year ended June 30, 2020 was determined on a monthly basis.

Recently Adopted Accounting Standards – Effective July 1, 2019, the District adopted the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Update (*ASU*) No. 2014-09, Revenues from Contracts with Customers (Topic 606), as amended. *ASU* No. 2014-09 supersedes the revenue recognition requirements in ASC 605, Revenue Recognition, and is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Analysis of the various provisions of this standard resulted in no significant changes to the way the District recognizes revenue, and therefore no changes to the previously issued financial statements were required on a retrospective basis. The applicable disclosures of revenue are enhanced in accordance with the standard.

Effective July 1, 2019, the District adopted the provisions of *ASU* No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*. *ASU* No. 2018-08 assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions) or exchange (reciprocal) transactions and (2) determining whether a contribution is conditional. Distinguishing between contributions and exchange transactions determines which accounting guidance is applied, and the accounting may be different depending on the guidance applied. In addition, for contributions, determining whether a contribution is conditional or unconditional affects the timing or recognition. Implementation of this standard did not have a significant impact on the District's financial statements.

Functional Expenses – Functional expenses have been allocated between program services and management and general supporting services. Personnel related expenses are allocated based on actual time utilized for the related activities. Other expenses are allocated based on other meaningful measures for the particular type of expenditure.

Income Tax Status – The District is a tax-exempt organization under Section 501 (c)(3) of the Internal Revenue Code. The District has analyzed the tax positions taken and has concluded that as of June 30, 2020, there are no uncertain positions taken or expected to be taken. The District is subject to audit by the Internal Revenue Service; however, there are currently no audits in progress.

Southwest Arkansas Planning and Development District, Inc.

Notes to the Financial Statements
June 30, 2020

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Subsequent Events – The District has evaluated subsequent events through May 30, 2024, the date the financial statements were available to be issued.

NOTE 2 – LIQUIDITY

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statement of financial position date, comprise the following:

Cash and cash equivalents	\$ 207,104
Accounts receivable	132,175
Investments	<u>948,163</u>
	<u>\$ 1,287,442</u>

As part of the District's liquidity management plan, cash in excess of daily requirements is invested in short-term investments, certificates of deposit and money market funds.

NOTE 3: FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The levels of the fair value hierarchy are described as follows:

Level 1	Inputs to the valuation methodology are unadjusted quotes prices for identical assets or liabilities in active markets.
Level 2	Inputs to the valuation methodology are other significant observable inputs (including quoted prices for similar securities in active markets, quoted prices for identical or similar assets in inactive markets and interest rates, credit risk, maturity dates or other observable market data).
Level 3	Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The District uses appropriate valuation techniques based on available inputs to measure the fair value of the assets. When available, the District measures fair values using Level 1 inputs, because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.

Southwest Arkansas Planning and Development District, Inc.

Notes to the Financial Statements
June 30, 2020

NOTE 3: FAIR VALUE MEASUREMENTS (Continued)

For the year ended June 30, 2020, the application of valuation techniques used to determine the fair values of investments has been consistent with the previous year's techniques. The following is a description of the valuation methodologies used by the District:

The fair value of mutual funds, exchange-traded funds, equity securities, government obligations, and corporate obligations is determined based on the closing price as reported by the fund. The funds are priced continuously throughout the day but are required to publish their daily net asset value (NAV) at market close based on the value of the underlying securities. The funds held by the District are deemed to be actively traded.

The fair values of corporate notes and bonds are determined by an independent pricing service using industry accepted pricing models and observable inputs that vary based on the type of bond.

The methods described above may produce a fair value estimate that may not be indicative of net realizable value or reflective of future fair value. Furthermore, although management of the District believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

There were no purchases or sales of level 3 instruments during the year ended June 30, 2020. In addition, there were no transfers into or out of Level 3 instruments during the year ended June 30, 2020.

The fair values of the District's investments measured on a recurring basis at June 30, 2020 are as follows:

	Fair Value	Level 1	Level 2	Level 3
Mutual funds	\$ 242,559	\$ 242,559	\$ -	\$ -
Exchange traded funds	-	-	-	-
Equity securities	14,814	14,814	-	-
Government obligations	-	-	-	-
Corporate bonds and notes	489,591	-	489,591	-
Investments valued at fair value	746,964	257,373	489,591	-
Certificates of deposit, valued at cost	201,199			
Total investments	<u>\$ 948,163</u>			

Southwest Arkansas Planning and Development District, Inc.

Notes to the Financial Statements
June 30, 2020

NOTE 4 – PROPERTY AND EQUIPMENT

At June 30, 2020, the District's property and equipment was as follows:

	Ending Balance
Land	\$ 18,173
Buildings	1,064,677
Furniture and equipment	422,155
	<hr/>
	1,505,005
Accumulated depreciation	749,244
	<hr/>
Property and equipment, net	\$ 755,761

NOTE 5 – LEASES

During the year ended June 30, 2020, the District leased office and storage spaces and made lease payments totaling approximately \$17,000. The office space lease expired on August 31, 2020.

NOTE 6 – ACT 118 FUNDS

In the fiscal year ended June 30, 2020, the District received Act 118 Funds of approximately \$43,000 and also received dues from cities and counties of approximately \$62,000 which were used to match approximately \$43,000 of the Act 118 Funds. The Act 118 Funds were used to supplement operating expenses.

NOTE 7 - CONCENTRATIONS

During the year ended June 30, 2020, the District received approximately 69.6% of its funding from the U.S. Department of Labor.

NOTE 8 – RELATED PARTY TRANSACTIONS

The District shares common board members with Southwest Arkansas Regional Solid Waste Management District (the "Waste District"). The District charged the Waste District for personnel, fringe benefits and other direct and indirect costs under an administrative service contract in the amount of \$85,000. The outstanding receivable balance of these charges was approximately \$21,000 as of June 30, 2020.

NOTE 9 – RETIREMENT PLAN

The District sponsors a defined contribution retirement plan that covers substantially all full-time employees. Annual contributions may be made at the discretion of the Board of Directors. The District's contributions to the plan were approximately \$75,000 for the year ended June 30, 2020.

Southwest Arkansas Planning and Development District, Inc.

Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Program Award Amount	Expenditures
DEPARTMENT OF LABOR				
WIOA Title IB	17.258	WIOA 05-P19 Adult-50	\$ 72,387	\$ 72,387
WIOA Title IB	17.258	WIOA 05-F19 Adult-50	381,192	211,320
WIOA Title IB	17.258	WIOA 05-F20 Adult-50	386,102	219,448
WIOA Title IB	17.258	WIAO 05-F20-DLW-50	317,531	-
WIOA Title IB	17.258	WIOA 05-P19-CUG-95	2,017	2,017
WIOA Title IB	17.258	SSAHCY-50-2019	2,678	2,678
				<u>507,850</u>
WIOA Title IB	17.259	WIOA 05-P18-YOUTH-50	478,872	461,471
WIOA Title IB	17.259	WIOA 05-P19-YOUTH-50	491,034	29,509
WIOA Title IB	17.259	WIOA 05-P19-CUG-95	2,017	2,017
WIOA Title IB	17.259	SSAHCY-50-2019	2,678	2,678
				<u>495,675</u>
WIOA Title IB	17.268	AAPI	338,332	2,236
WIOA Title IB	17.278	WIOA 05-P19-DLW-50	66,894	55,560
WIOA Title IB	17.278	WIOA 05-F19-DLW-50	258,104	135,687
WIOA Title IB	17.278	WIOA 05-P19-CUG-95	2,016	2,016
WIOA Title IB	17.278	SSAHCY-50-2019	2,679	2,679
				<u>195,942</u>
Total Department of Labor				<u><u>1,201,703</u></u>
DEPARTMENT OF COMMERCE				
Economic Development Administration:				
Special Economic Development and Assistance Programs				
Planning Grant	11.302	08-83-04945 (2017)	210,000	45,895
Planning Grant	11.302	08-83-04945 (2020)	210,000	28,509
				<u>74,404</u>
Total Department of Commerce				<u>74,404</u>
TOTAL FEDERAL EXPENDITURES				<u><u>\$ 1,276,107</u></u>

Southwest Arkansas Planning and Development District, Inc.

Notes to Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2020

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Southwest Arkansas Planning and Development District, Inc. under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Southwest Arkansas Planning and Development District, Inc., it is not intended to and does not present the financial position, changes in net assets, or cash flows of Southwest Arkansas Planning and Development District, Inc.

NOTE 2—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual 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—INDIRECT COST RATE

Southwest Arkansas Planning and Development District, Inc. has a federally negotiated indirect cost rate of 24.44%; indirect costs are allocated using this rate and a direct cost base type of direct charged salaries. The indirect cost rate was approved by the Economic Development Administration (EDA).



**INDEPENDENT AUDITOR'S 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***

To the Board of Directors
Southwest Arkansas Planning and Development District, Inc.
Magnolia, Arkansas

We have audited, 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, the financial statements of **Southwest Arkansas Planning and Development District, Inc.** (the District), which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated May 30, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the 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.

To the Board of Directors
Southwest Arkansas Planning and Development District, Inc.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2020-001.

The District's Response to Findings

The District's response to the 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 the financial statements and, accordingly, we express no opinion on it.

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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
May 30, 2024



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

Independent Auditor's Report

To the Board of Directors
Southwest Arkansas Planning and Development District, Inc.
Magnolia, Arkansas

Report on Compliance for Each Major Federal Program

We have audited **Southwest Arkansas Planning and Development District, Inc.'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, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questions 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* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Landmark PLC, Certified Public Accountants

To the Board of Directors
Southwest Arkansas Planning and Development District, Inc.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2020-001. Our opinion on each major federal program is not modified with respect to these matters.

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 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Little Rock, Arkansas
May 30, 2024

Southwest Arkansas Planning and Development District, Inc.

Summary of Findings and Questioned Costs For the Year Ended June 30, 2020

Section I – Summary of Auditor’s Results

- **Type of Report Issued – Financial Statements**

The independent auditor’s report expresses an unmodified opinion on the financial statements of Southwest Arkansas Planning and Development District, Inc.

- **Control Deficiencies – Financial Statements**

No significant deficiencies or material deficiencies related to internal control over reporting were identified or reported during the audit of the financial statements.

- **Material Noncompliance – Financial Statements**

One instance of noncompliance material to the financial statements was disclosed during the audit of the financial statements.

- **Control Deficiencies – Major Program**

No control deficiencies in internal control over the major federal awards programs were reported in the independent auditor’s report on compliance for each major program and on internal control over compliance required by the Title 2 Uniform Guidance.

- **Material Noncompliance – Major Program**

One instance of noncompliance material to the financial statements which would be required to be reported in accordance with Government Auditing Standards was disclosed during the audit.

- **Type of Report Issued – Compliance**

The auditor’s report on compliance with requirements applicable to the major federal award program expresses an unmodified opinion on all major federal programs.

- **Audit Findings under Section 516(a) of the Uniform Guidance**

The auditor identified no findings related to the major federal award program.

- **Major Program**

The program tested as a major program was the Department of Labor WIOA Cluster / Adult (17.258), Youth (17.259) and Dislocated Worker (17.278)

- **Threshold between Type A and Type B Programs**

The threshold for distinguishing Types A and B programs was \$750,000.

- **Type of Audit**

Southwest Arkansas Planning and Development District, Inc., was not determined to be a low-risk auditee.

Southwest Arkansas Planning and Development District, Inc.

Summary of Findings and Questioned Costs For the Year Ended June 30, 2020

Section II – Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

Finding 2020-001

See section III below.

Section III – Findings and Questioned Costs – Major Federal Award Program

Finding 2020-001

Assistance Listing No. WIOA Cluster / Adult (17.258), Youth (17.259) and Dislocated Worker (17.278)

Federal Agency U.S. Department of Labor

Pass-through Agency Arkansas Department of Workforce Services

Criteria: Per guidance provided in 2 CFR part 200.512, the audit must be completed, and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. A six-month extension was provided for submission of the data collection form and reporting package for the reporting period.

Condition/Context: The financial statement audit was not completed within the allowed timeframe and the data collection form and reporting package were not submitted timely.

Effect: Southwest Arkansas Planning and Development District, Inc. filed a late submission of the data collection form and reporting package for the audit period.

Questioned Costs: None.

Cause: Southwest Arkansas Planning and Development District, Inc. was impacted by the COVID-19 pandemic and was unable to meet the due date of the data collection form and reporting package.

Recommendation: We recommend Southwest Arkansas Planning and Development District, Inc. implement procedures and controls to ensure the reporting requirements are properly completed within the mandated timeframe.

Views of Responsible Officials: See Corrective Action Plan.

Southwest Arkansas Planning and Development District, Inc.
Corrective Action Plan
For the Year Ended June 30, 2020

FINDING 2020-001

Corrective Action:

Southwest Arkansas Planning and Development District, Inc. has taken steps to outsource financial reporting responsibilities to a qualified accounting firm and is establishing procedures to ensure timely submissions in the future. Further, management will provide additional training on accounting processes and financial reporting to accounting staff.

Anticipated Completion Date: April 30, 2024

Person Responsible for Corrective Action: Renee Dycus, Executive Director

Southwest Arkansas Planning and Development District, Inc.
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2020

Southwest Arkansas Planning and Development District, Inc.

Summary Schedule of Prior Audit Findings For the Year Ended June 30, 2020

Finding 2019-001

Finding: Material misstatements in the financial statements were not detected by Southwest Arkansas Planning and Development District, Inc.'s system of internal control. Southwest Arkansas Planning and Development District, Inc. did not properly reconcile accounts receivable, accounts payable and deferred revenue subledgers to the financial statements.

2020 Status: Southwest Arkansas Planning and Development District, Inc. outsourced financial reporting responsibilities to a qualified accounting firm that assisted with year-end accruals and adjustments prior to the annual audit.

Finding 2019-002

Assistance Listing No. WIOA Cluster / Adult (17.258), Youth (17.259) and Dislocated Worker (17.278)

Federal Agency U.S. Department of Labor

Pass-through Agency Western Arkansas Planning and Development District

Finding: Per guidance provided in 2 CFR part 200.512, the audit must be completed, and the data collection form and reporting package must be submitted within the earlier of 30 calendar days after receipt of the auditor's report(s), or nine months after the end of the audit period. The financial statement audit was not completed within the allowed timeframe.

2020 Status: Southwest Arkansas Planning and Development District, Inc. filed a late submission of the data collection form and reporting package for 2020. Southwest Arkansas Planning and Development District, Inc. outsourced financial reporting responsibilities to a qualified accounting firm and is establishing procedures to ensure timely submissions in the future.