

Southeast Arkansas Preparatory High School

Jefferson County, Arkansas

Regulatory Basis Financial Statements And Other Reports

June 30, 2020



SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
JEFFERSON COUNTY, ARKANSAS
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Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Southeast Arkansas Preparatory High School and Arkansas Division of Elementary and Secondary Education
Legislative Joint Auditing Committee

Report on the Financial Statements

We were engaged to audit the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Southeast Arkansas Preparatory High School (the "Charter School"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Charter School's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on conducting the 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. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The Charter School did not maintain certain required records to document expenditures. Additionally, the Charter School failed to reconcile bank statements and to approve a budget. We were unable to obtain sufficient, appropriate evidence or to apply other auditing procedures to satisfy the validity of the expenditures and cash balances.

Disclaimer of Opinion

Because of the significance of the matter described in the Basis for Disclaimer of Opinion paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on these regulatory basis financial statements.

Emphasis of Matter

As disclosed in Note 9 in the notes to financial statements on March 12, 2020, the Arkansas State Board of Education approved the transfer of the Charter School's charter to Friendship Education Foundation (Friendship Aspire Academy – Pine Bluff) effective July 1, 2020, which will result in the closure of the Charter School.

Other Matters

Other Information

The Schedule of Selected Information for the Last Two Years – Regulatory Basis is presented for the purpose of additional analysis and is not a required part of the regulatory basis financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 20, 2021 on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe that scope or our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter School's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
April 20, 2021
EDCS04320

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

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

Southeast Arkansas Preparatory High School and Arkansas Division of Elementary and Secondary Education
Legislative Joint Auditing Committee

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Southeast Arkansas Preparatory High School (the "Charter School"), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the Charter School's regulatory basis financial statements, and have issued our report thereon dated April 20, 2021. Our report disclaims an opinion on such financial statements because the Charter School did not maintain certain required records to document expenditures, as well as failure to reconcile the bank statements and approve a budget; therefore, we were unable to obtain sufficient, appropriate audit evidence or to apply other auditing procedures to satisfy the validity of the expenditures and cash balances.

Internal Control Over Financial Reporting

In connection with our engagement to audit the regulatory basis financial statements of the Charter School, we considered the Charter School's internal controls over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described below in the Audit Findings section of this report that we consider to be a material weakness.

Compliance and Other Matters

In connection with our engagement to audit the regulatory basis financial statements of the Charter School, we performed testing of its compliance with certain provisions of the state constitution, state 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 engagement, 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*. However, if the scope of our work had been sufficient to enable us to express opinions on the regulatory basis financial statements, instances of noncompliance or other matters may have been identified and reported herein.

We noted certain matters that we reported to management of the Charter School in a separate letter dated April 20, 2021.

AUDIT FINDINGS

Material Weakness

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

Specific deficiencies identified were as follows:

- a. Our examination of non-payroll expenditures, which included a sample of 40 disbursements and various tests, revealed the following:
 - Forty disbursements (\$44,447) did not have adequate supporting documentation.
 - Eight disbursements (\$10,247) did not indicate any form of approval/authorization.
 - Seventeen disbursements (\$15,629) were made without using prenumbered checks.
 - Check images were not provided for 16 disbursements (\$11,858); therefore, endorsements could not be reviewed.
 - Two disbursements (\$79,439) were misclassified.
 - Bids for purchases in excess of \$20,910 were not obtained as required by Ark. Code Ann. § 6-21-304 for computer equipment and related accessories (\$50,000).
 - During our examination of the October 2019 bank statement we noted 12 payments (\$20,583) were made electronically without Board approval or an approved resolution in noncompliance with ADE Commissioner's Memo COM-12-036 and Ark. Code Ann. § 6-13-701(e)(1).
 - Supporting documentation was not maintained for 6 of 15 selected journal entries. Additionally, approval/authorization was not provided for 4 of 15 selected journal entries.
- b. In our examination of payroll expenditures for a sample of 15 employees, we noted the following:
 - Contract amount did not agree with salary schedule for five employees.
 - Contracts were not available for five employees.
 - Resignation/termination documentation was not provided for seven employees.
 - Check images were not provided for nine payroll disbursements; therefore, endorsements could not be reviewed.
 - Direct deposit reports were not available for three selected pay runs.
 - Direct deposits could not be verified for six employees tested.
 - Employee leave records were not properly maintained, in noncompliance with Ark. Code Ann. § 6-17-1205.
 - Documentation was not available to determine compliance with Ark. Code Ann. § 6-17-1117(c)(1) and Op. Att'y Gen. no. 2007-239, which require the same employer contribution rate be paid for each eligible employee participating in the health insurance program.
- c. According to Ark. Code Ann. § 6-13-620(6)(A), the Local Board of Education is required to review, adopt, and publish the Charter School's budget. A budget was not provided for audit review.
- d. The Charter School did not reconcile its bank account as of June 30, 2020.

Management Response: Southeast Arkansas Preparatory High School has been merged with Friendship USA. Friendship will see that all contracts/agreements are in compliance with rules and laws.

Charter School's Response to Findings

The Charter School's response to the finding identified in our engagement, excluding the management letter findings, is described previously. The Charter School's response was not subjected to the auditing procedures applied in the engagement to audit the regulatory basis 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 Charter School's internal control or on compliance. This report is an integral part of an engagement to perform an audit in accordance with *Government Auditing Standards* in considering the Charter School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas
April 20, 2021

Arkansas

Sen. Ronald Caldwell
Senate Chair
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Senate Vice Chair



Rep. Richard Womack
House Chair
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House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Southeast Arkansas Preparatory High School and Arkansas Division of Elementary and Secondary Education
Legislative Joint Auditing Committee

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

1. The combined fund balance of the Teacher's Salary and Operating Funds was at a deficit amount at June 30, 2020, causing the Charter School to exceed its legal revenues by \$3,638 in noncompliance with Ark. Code Ann. § 6-20-402.
2. Capital asset records were not established resulting in unrecorded capital outlay purchases of \$50,000. Additionally, capital outlay purchases of \$29,776 made in FY 19 were not recorded. Documentation for one journal entry totaling \$1,125 was not maintained; therefore, we were unable to determine if the purchase was for an item above the \$1,000 capitalization threshold.
3. During our review of receipts, we noted the following:
 - Fifteen receipts were issued to reduce revenues totaling \$44,497. These same receipts were reissued to correct coding errors instead of recording a journal entry.
 - Nine receipts totaling \$152,268 were entered into Arkansas Public School Computer Network (APSCN) using an invalid receipt number (00000000).
 - Receipt books were not provided for audit review for the months of July 2019 through December 2019.
 - Receipts issued in the month of January 2020 were not complete. Receipts did not indicate cash/check composition and two receipts did not indicate who remitted the funds.
 - Validated deposit slips were not provided for receipts issued in the month of January 2020.
 - Support documentation was not provided for one of three receipts selected for testing.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Roger A. Norman".

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

Little Rock, Arkansas
April 20, 2021

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
 JEFFERSON COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2020

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Fiduciary Fund Types
ASSETS			
Accounts receivable		\$ 2,373	
Due from other funds			\$ 1,894
TOTAL ASSETS		\$ 2,373	\$ 1,894
LIABILITIES AND FUND BALANCES			
Liabilities:			
Due student groups			\$ 1,894
Due to other funds		\$ 1,894	
Overdrafts	\$ 3,638	479	
Total Liabilities	3,638	2,373	1,894
Fund Balances:			
Unassigned	(3,638)		
TOTAL LIABILITIES AND FUND BALANCES	\$ 0	\$ 2,373	\$ 1,894

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

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
 JEFFERSON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 755,354	\$ 143	
Federal assistance		137,163	
Other revenues	513		
TOTAL REVENUES	755,867	137,306	
EXPENDITURES			
Regular programs	406,926		
Special education	23,184	33,884	
Compensatory education programs		51,974	
Student support services	5,846		
Instructional staff support services	66,980	29,439	
General administration support services	10,948		
School administration support services	86,528		
Central services support services	63,001		
Operation and maintenance of plant services	83,488		\$ 32,124
Student transportation services	676		
Food services operations		22,009	
TOTAL EXPENDITURES	747,577	137,306	32,124
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	8,290		(32,124)
OTHER FINANCING SOURCES (USES)			
Refund to grantors	(50,663)		
TOTAL OTHER FINANCING SOURCES (USES)	(50,663)		
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(42,373)		(32,124)
FUND BALANCES - JULY 1	38,735		32,124
FUND BALANCES - JUNE 30	<u>\$ (3,638)</u>	<u>\$ 0</u>	<u>\$ 0</u>

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

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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 school education within the jurisdiction of the Southeast Arkansas Preparatory High School (Charter School). There are no component units. As disclosed in Note 9, on March 12, 2020, the Arkansas State Board of Education approved the transfer of the Charter School's charter to Friendship Education Foundation (Friendship Aspire Academy – Pine Bluff), effective July 1, 2020. This resulted in the closure of the Charter School allowing it to become a campus of Friendship Aspire Academy – Pine Bluff.

B. Description of Funds

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

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

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

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

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

Fiduciary Fund types include the following:

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

C. Measurement Focus and Basis of Accounting

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

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

E. Capital Assets

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 School maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Interfund Receivables and Payables

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

G. Fund Balance Classifications

1. 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.

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budget and Budgetary Accounting

The Charter School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The Charter School does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the charter schools employ the cash basis method.

The Charter School did not formally approve a budget.

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

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

L. Encumbrances

The Charter School does not utilize encumbrance accounting.

2: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 were comprised of the following:

	Governmental Fund
	Major
	Special
Description	Revenue
Federal assistance	\$ 2,373

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
JEFFERSON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

3: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

The Charter School contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at www.artrs.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.25% of covered salaries. The School's contributions to ATRS for the year ended June 30, 2020 were \$51,658, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$714,210.

4: DEFICIT FUND BALANCE

The unassigned fund balance in the general fund at June 30, 2020, as displayed in Note 7, was in the deficit amount of \$3,638 as a result of the lack of proper budget monitoring and implementation of effective cost reduction procedures.

5: RISK MANAGEMENT

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

The Charter School carries commercial insurance for general liability.

The Charter School 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 two fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

6: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the Charter School's employees, totaled \$6,389 for the year ended June 30, 2020.

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
 JEFFERSON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

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

	Governmental Fund
	Major
Description	General
Fund Balances:	
Unassigned	\$ (3,638)

8: RESPONSE TO COVID-19

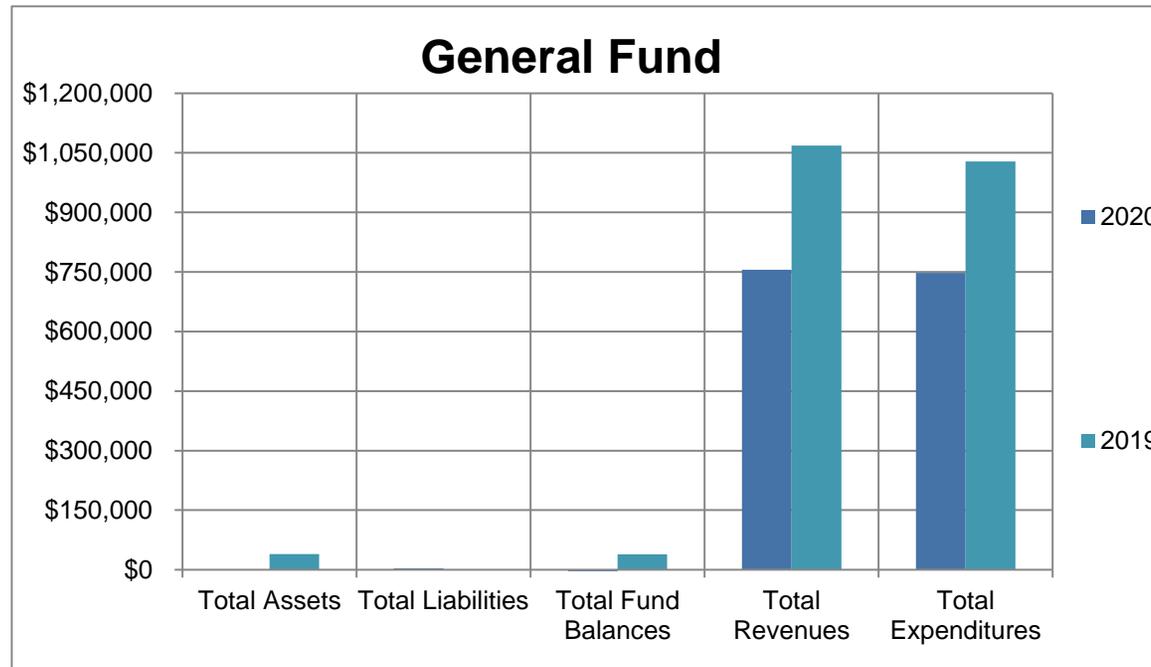
On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). A mandatory, two week, statewide closure for all schools was announced on March 15, 2020 by the Governor. On April 6, 2020, the Governor announced that on-site instruction for all Arkansas public schools and charter schools would be discontinued until the 2020-2021 school year and school districts, including charter schools, would continue alternative methods of instruction (AMI) through the remainder of the 2019-2020 school year.

9: CLOSURE OF CHARTER SCHOOL

On March 12, 2020, the Arkansas State Board of Education approved the transfer of the Charter School's charter to Friendship Education Foundation (Friendship Aspire Academy – Pine Bluff) effective July 1, 2020. This will result in the closure of the Charter School and allow it to become a campus of Friendship Aspire Academy – Pine Bluff.

SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
 JEFFERSON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST TWO YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

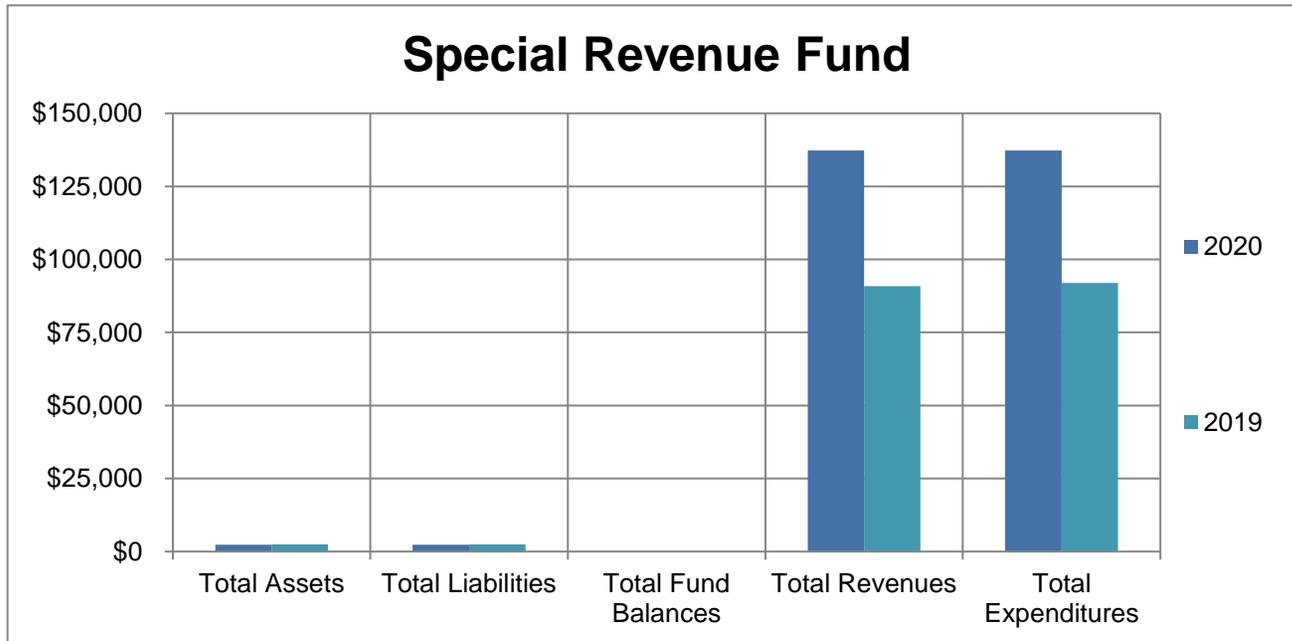
<u>General Fund</u>	Year Ended June 30,	
	2020	2019
Total Assets		\$ 39,755
Total Liabilities	\$ 3,638	1,020
Total Fund Balances	(3,638)	38,735
Total Revenues	755,867	1,068,125
Total Expenditures	747,577	1,028,362
Total Other Financing Sources (Uses)	(50,663)	(1,028)



SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
 JEFFERSON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST TWO YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

Schedule 1

Special Revenue Fund	Year Ended June 30,	
	2020	2019
Total Assets	\$ 2,373	\$ 2,450
Total Liabilities	2,373	2,450
Total Fund Balances		
Total Revenues	137,306	90,893
Total Expenditures	137,306	91,921
Total Other Financing Sources (Uses)		1,028



SOUTHEAST ARKANSAS PREPARATORY HIGH SCHOOL
 JEFFERSON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST TWO YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

Other Aggregate Funds	Year Ended June 30,	
	2020	2019
Total Assets		\$ 32,124
Total Fund Balances		32,124
Total Revenues		37,161
Total Expenditures	\$ 32,124	5,037

