

**JONESBORO SCHOOL DISTRICT NO. 1  
JONESBORO, ARKANSAS**

**REGULATORY BASIS FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**YEAR ENDED JUNE 30, 2020**

**with**

**REPORT OF INDEPENDENT  
CERTIFIED PUBLIC ACCOUNTANTS**

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board of Education  
Jonesboro School District No. 1  
Jonesboro, Arkansas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of the Jonesboro School District No. 1 (the “District”), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District’s basic 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 practices prescribed by the Arkansas Code Ann. § 10-4-413(c) provided in Act 867 of 2019, which is described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor’s Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described more fully in Note 1, the District has prepared the financial statements using financial reporting practices prescribed or permitted by Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the financial reporting practices prescribed by Arkansas Code. 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 determined, are presumed to be material.

***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2020, or the changes in its financial position for the year then ended. Further, the District has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and budgetary results for the year then ended, on the basis of accounting described in Note 1.

***Other Matters***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The schedule of capital assets, schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of state assistance, schedule of units of service – Child and Adult Care Food Program, and the supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and schedule of state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

To the Board of Education  
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In our opinion, the schedule of expenditures of federal awards and schedule of state assistance are fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

The schedule of capital assets, schedule of units of service – Child and Adult Care Food Program and supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2021, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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 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.

HCT CPAs & Advisors, PLLC

Little Rock, Arkansas  
January 6, 2021

# JONESBORO SCHOOL DISTRICT NO. 1

## BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2020

|  | Governmental Funds   |                            |                                |
|--|----------------------|----------------------------|--------------------------------|
|  | Major                |                            |                                |
|  | General<br>fund      | Special<br>revenue<br>fund | Other<br>governmental<br>funds |
| <b>ASSETS</b>                            |                      |                            |                                |
| Cash and cash equivalents                | \$ 15,770,823        | \$ 1,851,681               | \$ 9,536,773                   |
| Accounts receivable                      | 38,406               | 766,103                    | -                              |
| Due from other funds                     | 455,308              | -                          | -                              |
|  | <u>\$ 16,264,537</u> | <u>\$ 2,617,784</u>        | <u>\$ 9,536,773</u>            |
| Total assets                             | <u>\$ 16,264,537</u> | <u>\$ 2,617,784</u>        | <u>\$ 9,536,773</u>            |
| <br><b>LIABILITIES AND FUND BALANCES</b> |                      |                            |                                |
| <b>Liabilities:</b>                      |                      |                            |                                |
| Accounts payable                         | \$ 203,765           | \$ 296,360                 | \$ -                           |
| Due to other funds                       | -                    | 455,308                    | -                              |
|  | <u>203,765</u>       | <u>751,668</u>             | <u>-</u>                       |
| Total liabilities                        | <u>203,765</u>       | <u>751,668</u>             | <u>-</u>                       |
| <b>Fund Balances:</b>                    |                      |                            |                                |
| Restricted:                              |                      |                            |                                |
| State programs                           | 3,498,850            | -                          | -                              |
| Federal programs                         | -                    | 1,866,116                  | -                              |
| Capital projects                         | -                    | -                          | 978,068                        |
| Assigned:                                |                      |                            |                                |
| Capital projects                         | -                    | -                          | 8,558,705                      |
| Unassigned                               | 12,561,922           | -                          | -                              |
|  | <u>16,060,772</u>    | <u>1,866,116</u>           | <u>9,536,773</u>               |
| Total fund balances                      | <u>16,060,772</u>    | <u>1,866,116</u>           | <u>9,536,773</u>               |
| Total liabilities and fund balances      | <u>\$ 16,264,537</u> | <u>\$ 2,617,784</u>        | <u>\$ 9,536,773</u>            |

See accompanying notes.

## JONESBORO SCHOOL DISTRICT NO. 1

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS

YEAR ENDED JUNE 30, 2020

|   | <u>Major</u>            |                                     |   |
|---|-------------------------|-------------------------------------|---|
|   | <u>General<br/>fund</u> | <u>Special<br/>revenue<br/>fund</u> | <u>Other<br/>governmental<br/>funds</u> |
| <b>REVENUES</b>   |                         |                                     |   |
| Property taxes  | \$ 21,014,409           | \$ -                                | \$ -                                    |
| Interest  | 733,721                 | -                                   | -                                       |
| Tuition charges   | 241,757                 | -                                   | -                                       |
| State revenues  | 38,639,389              | 30,741                              | 122,687                                 |
| Federal revenues  | -                       | 11,080,513                          | -                                       |
| Food services   | -                       | 102,396                             | -                                       |
| Student activities  | 237,526                 | -                                   | -                                       |
| Other   | 3,043,485               | 213,893                             | -                                       |
|   | <u>63,910,287</u>       | <u>11,427,543</u>                   | <u>122,687</u>                          |
| <b>EXPENDITURES</b>   |                         |                                     |   |
| <b>Current:</b>   |                         |                                     |   |
| Instruction and instructional - related services            | 34,587,334              | 3,047,781                           | -                                       |
| Support services  | 20,443,346              | 3,376,860                           | 1,500                                   |
| Non-instructional services                                  | 332,324                 | 3,819,286                           | -                                       |
| Other   | 4,706                   | 62,425                              | -                                       |
| <b>Debt service:</b>  |                         |                                     |   |
| Principal retirement  | -                       | -                                   | 1,750,000                               |
| Interest and fiscal charges                                 | -                       | -                                   | 938,886                                 |
| Paying agent's fees   | -                       | -                                   | 3,761                                   |
| <b>Capital outlay</b>                                       | 994,495                 | 55,455                              | 1,091,511                               |
|   | <u>56,362,205</u>       | <u>10,361,807</u>                   | <u>3,785,658</u>                        |
| <b>Excess (deficiency) of revenue over<br/>expenditures</b> | 7,548,082               | 1,065,736                           | (3,662,971)                             |
| <b>OTHER FINANCING (USES) SOURCES</b>                       |                         |                                     |   |
| Transfers, net  | (2,569,960)             | -                                   | 2,569,960                               |
| Compensation for disposal of capital assets                 | 23,398                  | 54                                  | -                                       |
| Total other financing (uses) sources                        | <u>(2,546,562)</u>      | <u>54</u>                           | <u>2,569,960</u>                        |
| <b>Net change in fund balances</b>                          | 5,001,520               | 1,065,790                           | (1,093,011)                             |
| <b>Fund balance - beginning</b>                             | <u>11,059,252</u>       | <u>800,326</u>                      | <u>10,629,784</u>                       |
| <b>Fund balance - ending</b>                                | <u>\$ 16,060,772</u>    | <u>\$ 1,866,116</u>                 | <u>\$ 9,536,773</u>                     |

See accompanying notes.

# JONESBORO SCHOOL DISTRICT NO. 1

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET TO ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS

YEAR ENDED JUNE 30, 2020

|   | General Fund  |               |              |
|---|---------------|---------------|--------------|
|   | Budget        | Actual        | Variance     |
| <b>REVENUES</b>   |               |               |              |
| Property taxes  | \$ 20,656,761 | \$ 21,014,409 | \$ 357,648   |
| Interest  | 640,000       | 733,721       | 93,721       |
| Tuition charges   | 380,000       | 241,757       | (138,243)    |
| State revenues  | 37,527,562    | 38,639,389    | 1,111,827    |
| Federal revenues  | -             | -             | -            |
| Food services   | -             | -             | -            |
| Student activities                                      | -             | 237,526       | 237,526      |
| Other   | 2,979,524     | 3,043,485     | 63,961       |
|   | 62,183,847    | 63,910,287    | 1,726,440    |
| <b>EXPENDITURES</b>                                     |               |               |              |
| <b>Current:</b>   |               |               |              |
| Instruction and instructional-related services          | 35,685,231    | 34,587,334    | 1,097,897    |
| Support services  | 22,618,959    | 20,443,346    | 2,175,613    |
| Non-instructional services                              | 473,958       | 332,324       | 141,634      |
| Other   | -             | 4,706         | (4,706)      |
| <b>Capital outlay</b>                                   | 1,247,452     | 994,495       | 252,957      |
|   | 60,025,600    | 56,362,205    | 3,663,395    |
| <b>Excess (deficiency) of revenue over expenditures</b> | 2,158,247     | 7,548,082     | 5,389,835    |
| <b>OTHER FINANCING (USES) SOURCES</b>                   |               |               |              |
| Transfers, net  | (3,044,680)   | (2,569,960)   | 474,720      |
| Compensation for disposal of capital assets             | -             | 23,398        | 23,398       |
| Total other financing (uses) sources                    | (3,044,680)   | (2,546,562)   | 498,118      |
| <b>Net change in fund balances</b>                      | \$ (886,433)  | \$ 5,001,520  | \$ 5,887,953 |

See accompanying notes.

**Special Revenue Fund**

| <b>Budget</b>       | <b>Actual</b>       | <b>Variance</b>     |
|---------------------|---------------------|---------------------|
| \$ -                | \$ -                | \$ -                |
| -                   | -                   | -                   |
| -                   | -                   | -                   |
| 30,188              | 30,741              | 553                 |
| 12,597,683          | 11,080,513          | (1,517,170)         |
| 137,481             | 102,396             | (35,085)            |
| -                   | -                   | -                   |
| -                   | 213,893             | 213,893             |
| <u>12,765,352</u>   | <u>11,427,543</u>   | <u>(1,337,809)</u>  |
| 3,521,674           | 3,047,781           | 473,893             |
| 4,203,946           | 3,376,860           | 827,086             |
| 5,011,908           | 3,819,286           | 1,192,622           |
| 64,640              | 62,425              | 2,215               |
| 123,211             | 55,455              | 67,756              |
| <u>12,925,379</u>   | <u>10,361,807</u>   | <u>2,563,572</u>    |
| (160,027)           | 1,065,736           | 1,225,763           |
| -                   | -                   | -                   |
| -                   | 54                  | 54                  |
| <u>-</u>            | <u>54</u>           | <u>54</u>           |
| <u>\$ (160,027)</u> | <u>\$ 1,065,790</u> | <u>\$ 1,225,817</u> |

# JONESBORO SCHOOL DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### **Note 1: Summary of significant accounting policies**

#### **Reporting entity**

The Jonesboro School District No. 1 (the "District") operates schools for students in grades Pre-Kindergarten through twelve in Jonesboro, Arkansas. The District operates under current standards prescribed by the Arkansas Department of Education in accordance with the provision of the School Laws of Arkansas. The Board of Education, a seven (7) 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 District. There are no component units.

#### **Fund accounting**

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

**General Fund** - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund. The Activity Funds are included in the General Fund and are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

**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 and state revenues and related expenditures restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes transfers from the general fund to supplement such programs.

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

**Debt Service Fund** - The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest.

**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 including the following:

**Private Purpose** – (trust fund) accounts for activities that are not District programs, but are programs sponsored by individuals, private districts or other governments. Although the District serves as fiscal agent, the funds received and held under these programs are not available to support the District's activities and programs, but are received and held for the benefit of individuals, private districts or other governments participating in the sponsored programs. The programs accounted for within this are expandable trust funds. The District does not have any private purpose accounts at year end.

**JONESBORO SCHOOL DISTRICT NO. 1****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 1: Summary of significant accounting policies (continued)****Measurement focus and basis of accounting**

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Ark. Code Ann. 10-4-413(c), as provided in Act 867 of 2019, 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 requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires 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, 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, if any, will be reflected in the notes to the financial statements.

**Revenue recognition policies**

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see "property taxes" page 9).

**Capital assets**

Information on capital assets and related depreciation is reported in the accompanying Schedule of 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 fair value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

# JONESBORO SCHOOL DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### **Note 1: Summary of significant accounting policies (continued)**

#### **Capital assets (continued)**

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> |
|----------------------------|---------------------------------------|
| Buildings and Improvements | 20-50                                 |
| Furniture and Equipment    | 5-20                                  |
| Vehicles                   | 8                                     |

#### **Property taxes**

Property taxes are levied in November based on property assessments made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on 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.

Prior to the year ending June 30, 2012, property taxes were accrued or deferred, as applicable, in accordance with guidelines issued by the Arkansas Department of Education (ADE), which were effective beginning with the fiscal year ended June 30, 2006. Arkansas Code § 6-20-401 defined revenue receipts of a school district and included forty percent (40%) of the proceeds of local taxes which are not pledged to secure bonded indebtedness or forty percent (40%) of the revenue from the uniform rate of tax whichever is greater collected in the succeeding calendar year, commonly known as 40% pullback, within that definition. The ADE determined that school districts must utilize the 40% pullback amount, as calculated by the ADE and reflected on the respective county's abstract of assessments, in recording property tax revenue as follows:

- If the amount of 40% pullback collected by June 30<sup>th</sup> is less than the calculated 40% pullback amount, the difference must be accrued;
- If the amount of 40% pullback collected by June 30<sup>th</sup> is more than the calculated 40% pullback amount, the excess must be recorded as deferred taxes.

In March 2011, the General Assembly of the State of Arkansas passed Act 871 to amend Arkansas Code § 6-20-401 to clarify the definition of "revenue receipts of a school district". Act 871 became effective for years ending June 30, 2012 and thereafter. The Act reduced the pullback percentage by 4% each year (to 4% for the year ending June 30, 2020) and eliminated the deferral of amounts collected in excess of the pullback amount. If the District were to collect less than the stated pullback amount, they are allowed to accrue the difference. However, if they were to collect more, they must reflect it as current year revenues. Districts were, however permitted to opt out of the pullback. Districts choosing not to accrue must record property tax revenue in the year collected. Once a District chooses not to accrue, they no longer have the option to accrue in subsequent years. Jonesboro School District No.1 elected not to accrue property tax revenue as prescribed in Act 871; and, as such, property tax revenues are recorded when collected.

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.

**JONESBORO SCHOOL DISTRICT NO. 1****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 1: Summary of significant accounting policies (continued)****Fund balance classifications**

Under the RBA, fund balance is reported under the following five classifications:

1. **Nonspendable Fund Balance** - includes amounts that are not in a spendable form or are required to be maintained intact. The District does not have any nonspendable fund balance at year end.
2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for State Programs and Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The Restricted for Capital Projects balance reflects savings from the refunding of outstanding bonds which are required to be used for academic construction projects and equipment.
3. **Committed Fund Balance** - includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority (the Board of Education) and does not lapse at year end. The District does not have any committed fund balance at year end.
4. **Assigned Fund Balance** - includes amounts intended for a specific purpose by the Board of Education or by a District official that has been delegated authority to assign amounts. The Assigned for Capital Projects balance reflects amounts that are assigned for construction or other capital outlay projects.
5. **Unassigned Fund Balance** - includes any remaining fund balance that has not been reported in any other classification. 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.

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 common for an individual source of funds to contain restricted and unrestricted (committed, assigned or unassigned) funds. The District has 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. The District's policy is to have expenditures spent from restricted amounts first at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District has 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 fund balance (if any) is reduced first, followed by assigned fund balance, and lastly unassigned fund balance.

**JONESBORO SCHOOL DISTRICT NO. 1****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 1: Summary of significant accounting policies (continued)****Cash and investments**

The District's cash consists of cash on hand and demand deposits maintained at financial institutions. State statutes require that the District's funds be deposited in banks located in the State of Arkansas and that all deposits be secured by general obligation bonds of the United States; bonds, notes, debentures, or other obligations issued by an agency of the United States Government; bonds of the State of Arkansas; or by bonds of a political subdivision which has never defaulted on any of its obligations.

State statutes permit the Districts to invest in general obligation bonds of the United States; in bonds, notes, debentures, or other obligations issued by an agency of the United States Government; in general obligations bonds of the State of Arkansas; or in bank certificates of deposit. The District generally only purchases investments that have remaining maturities of one year or less when purchased.

**Interfund receivables and payables**

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

**COVID-19 Pandemic**

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. As of the date of the audit report, the COVID-19 pandemic continues to persist domestically and globally. At the current time, the District has not experienced a significant impact because of COVID-19; however, management is unable to predict how COVID-19 will affect the District's future financial performance due to the uncertainties surrounding the severity and duration of the pandemic.

**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.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - General and Special Revenue Funds - Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

**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.

# JONESBORO SCHOOL DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### **Note 1: Summary of significant accounting policies (continued)**

#### **Minimum fund balance policies**

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

#### **Subsequent events**

The District has evaluated all subsequent events for potential recognition and disclosure through January 6, 2021, the date these financial statements were available to be issued.

### **Note 2: Cash deposits with financial institutions**

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

|  | <b>Carrying<br/>Value</b> | <b>Bank<br/>Balance</b> |
|--|---------------------------|-------------------------|
| Insured (FDIC)   | \$ 250,000                | \$ 250,000              |
| Collateralized-held by pledging bank or pledging<br>bank's trust department in the District's name | 26,909,277                | 28,992,375              |
|  | \$ 27,159,277             | \$ 29,242,375           |

### **Note 3: Accounts receivable**

The accounts receivable balance in the governmental funds consist of the following at June 30, 2020:

|                            | <b>General<br/>fund</b> | <b>Special<br/>revenue fund</b> | <b>Total</b> |
|----------------------------|-------------------------|---------------------------------|--------------|
| Due from other governments | \$ 38,406               | \$ 766,103                      | \$ 804,509   |

### **Note 4: Commitments**

#### **Long-term debt issued and outstanding**

The District is presently paying on the following long-term debt, including capital leases:

| <b>Date of<br/>issue</b> | <b>Date of final<br/>maturity</b> | <b>Rate of<br/>interest</b> | <b>Amount<br/>authorized<br/>and issued</b> | <b>Debt<br/>outstanding<br/>June 30, 2020</b> | <b>Maturities<br/>to<br/>June 30, 2020</b> |
|--------------------------|-----------------------------------|-----------------------------|---|---|--|
| <b>Bonds payable:</b>    |                                   |                             |   |   |  |
| 12/1/2012                | 2/1/2028                          | 1.00 - 1.80%                | \$ 2,600,000                                | \$ 1,580,000                                  | \$ 1,020,000                               |
| 5/1/2015                 | 5/1/2028                          | 3.00%                       | 16,105,000                                  | 11,195,000                                    | 4,910,000                                  |
| 11/1/2015                | 2/1/2041                          | 3.00 - 3.75%                | 12,370,000                                  | 11,035,000                                    | 1,335,000                                  |
| 2/1/2016                 | 2/1/2041                          | 1.38 - 3.25%                | 5,650,000                                   | 5,650,000                                     | -  |
| Totals                   |                                   |                             | \$ 36,725,000                               | \$ 29,460,000                                 | \$ 7,265,000                               |

# JONESBORO SCHOOL DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### Note 4: Commitments (continued)

Changes in long-term debt:

| Description   | Balance<br>July 1, 2019 | Issued | Retired      | Balance<br>June 30, 2020 |
|---------------|-------------------------|--------|--------------|--------------------------|
| Bonds payable | \$ 31,210,000           | \$ -   | \$ 1,750,000 | \$ 29,460,000            |

Total long-term debt principal and interest payments are as follows:

| Year ended<br>June 30 | Principal     | Interest     | Total         |
|-----------------------|---------------|--------------|---------------|
| 2021                  | \$ 1,910,000  | 889,446      | 2,799,446     |
| 2022                  | 2,055,000     | 836,720      | 2,891,720     |
| 2023                  | 2,130,000     | 779,746      | 2,909,746     |
| 2024                  | 2,195,000     | 720,622      | 2,915,622     |
| 2025                  | 2,270,000     | 659,502      | 2,929,502     |
| 2026 - 2030           | 8,685,000     | 2,354,008    | 11,039,008    |
| 2031 - 2035           | 4,145,000     | 1,480,527    | 5,625,527     |
| 2036 - 2040           | 4,960,000     | 732,053      | 5,692,053     |
| 2041                  | 1,110,000     | 39,601       | 1,149,601     |
| Totals                | \$ 29,460,000 | \$ 8,492,225 | \$ 37,952,225 |

### Operating leases

The District has entered into agreements to lease a postage meter and sports audio/visual equipment. Lease expense totaled approximately \$101,000 for the year ending June 30, 2020.

At June 30, 2020, the minimum rental commitments under these noncancelable operating leases are as follows:

|      |           |
|------|-----------|
| 2021 | \$ 2,820  |
| 2022 | 2,820     |
| 2023 | 2,820     |
| 2024 | 2,820     |
| 2025 | 2,115     |
|      | \$ 13,395 |

### Note 5: Accounts payable

The accounts payable balance in the governmental funds is comprised of the following at June 30, 2020:

|                          | General<br>fund | Special<br>revenue fund | Total      |
|--------------------------|-----------------|-------------------------|------------|
| Due to other governments | \$ 131,121      | \$ -                    | \$ 131,121 |
| Vendor payables          | 72,644          | 296,360                 | 369,004    |
|                          | \$ 203,765      | \$ 296,360              | \$ 500,125 |

# JONESBORO SCHOOL DISTRICT NO. 1

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

### **Note 6: Interfund transfers**

The following details the transfers between governmental funds for operating purposes:

|               | <u>General<br/>fund</u> | <u>Special<br/>revenue<br/>fund</u> | <u>Other<br/>governmental<br/>funds</u> | <u>Total</u>        |
|---------------|-------------------------|-------------------------------------|---|---------------------|
| Transfers in  | \$ 73,508,586           | \$ 518,783                          | \$ 2,569,960                            | \$ 76,597,329       |
| Transfers out | <u>(76,078,546)</u>     | <u>(518,783)</u>                    | <u>-</u>                                | <u>(76,597,329)</u> |
|               | <u>\$ (2,569,960)</u>   | <u>\$ -</u>                         | <u>\$ 2,569,960</u>                     | <u>\$ -</u>         |

### **Note 7: Retirement plans**

#### 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 all Arkansas public school employees, except certain nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877 or by visiting the ATRS website at [www.artrs.gov](http://www.artrs.gov).

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6.25% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14.25%.

The District's contributions to ATRS for nonfederally-funded employees for the years ended June 30, 2020, 2019, and 2018 were \$5,687,276; \$5,308,787; and \$4,889,345 respectively.

#### Net pension liability

The Arkansas Department of 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, 2019 (actuarial valuation date and measurement date) was \$51,634,364.

**JONESBORO SCHOOL DISTRICT NO. 1****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 7: Retirement plans (continued)****Arkansas Public Employees Retirement System**

Plan description: The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or by visiting the ATRS website at [www.artrs.gov](http://www.artrs.gov).

Funding policy: APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to APERS for the years ended June 30, 2020, 2019 and 2018 was \$1,162; \$1,207; and \$933, respectively, equal to the required contributions for each year.

**Net pension liability**

The Arkansas Department of 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, 2019 (actuarial valuation date and measurement date) was \$9,558.

**Note 8: Litigation and contingencies**

The District participates in federally assisted grant programs. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

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

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

**JONESBORO SCHOOL DISTRICT NO. 1****NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 9: Risk management**

The District is exposed to various risks of loss from torts; theft of; damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in the current year.

The District carries commercial insurance for coverage of buildings' contents, board liability, theft, student accidents, and bus drivers and business trip accidental death and dismemberment. Settled claims did not exceed this commercial coverage in the current year. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The District is a member of the Arkansas School Board Association self-insurance program, a public entity risk pool currently operating a common risk management and insurance program for its members. The fund was created by members to formulate, develop and administer a program of self-funding for the fund's membership, obtain lower costs for Workmen's Compensation Coverage and develop a comprehensive loss control program. The District pays an annual premium to the fund for its Workmen's Compensation Coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reissue through commercial carriers for claims in excess of specified stop loss amounts.

**Note 10: On-behalf payments**

During the year ended June 30, 2020, health insurance premiums of \$1,039,177 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District employees.

**Note 11: Subsequent Event**

Subsequent to year-end, the District issued refunding and construction bonds of \$43,095,000 dated October 20, 2020 with an interest rate of 2.1%, which refunded a 2012 Series Bond with an outstanding principal balance of \$1,580,000 and 2015 Series Bond with an outstanding principal balance of \$11,195,000 at June 30, 2020.

## **OTHER REPORTS AND SUPPLEMENTARY INFORMATION**

# JONESBORO SCHOOL DISTRICT NO.1

## SCHEDULE OF CAPITAL ASSETS

YEAR ENDED JUNE 30, 2020

(Unaudited)

**Nondepreciable capital assets:**

|                                     |              |
|-------------------------------------|--------------|
| Land                                | \$ 3,961,358 |
| Construction in progress            | 217,510      |
| Total nondepreciable capital assets | 4,178,868    |

**Depreciable capital assets:**

|                                  |             |
|----------------------------------|-------------|
| Buildings & improvements         | 96,751,150  |
| Site improvements                | 5,212,704   |
| Equipment                        | 21,256,082  |
| Total depreciable capital assets | 123,219,936 |

**Less accumulated depreciation for:**

|                                |            |
|--------------------------------|------------|
| Buildings & improvements       | 38,364,224 |
| Site improvements              | 2,077,874  |
| Equipment                      | 14,549,153 |
| Total accumulated depreciation | 54,991,251 |

|                                       |            |
|---------------------------------------|------------|
| Total depreciable capital assets, net | 68,228,685 |
|---------------------------------------|------------|

|                            |                      |
|----------------------------|----------------------|
| <b>Capital assets, net</b> | <b>\$ 72,407,553</b> |
|----------------------------|----------------------|

**INDEPENDENT AUDITORS' 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 Education  
Jonesboro School District No. 1  
Jonesboro, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Jonesboro School District No. 1 (the "District"), as of and for the year ended June 30, 2020, 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 January 6, 2021.

We issued an adverse opinion because the District prepared the financial statements in conformity with accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position thereof, and the budgetary results for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

**Internal control over financial reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions 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.

To the Board of Education  
Page Two

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 internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and other matters**

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC  
Little Rock, Arkansas  
January 6, 2021

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

To the Board of Education  
Jonesboro School District No. 1  
Jonesboro, Arkansas

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

We have audited the Jonesboro School District No. 1 (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 questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

To the Board of Education  
Page Two

### **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, other 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.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC  
Little Rock, Arkansas  
January 6, 2021

**JONESBORO SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**YEAR ENDED JUNE 30, 2020**

| Federal grant/pass-through<br>grantor/program title                                       | Pass through<br>entity identifying<br>number | Federal<br>assistance<br>listing<br>number | Federal<br>expenditures |
|---|--|--|-------------------------|
| <b>CHILD NUTRITION CLUSTER:</b>   |  |  |                         |
| <b><u>U.S. Department of Agriculture</u></b>  |  |  |                         |
| National School Lunch Program - Cash in Lieu of Commodities                               | N/A  | 10.555                                     | \$ 355,803              |
| <b>Passed through Arkansas Department of Education:</b>                                   |  |  |                         |
| School Breakfast Program - Cash Assistance  | 1608   | 10.553                                     | 1,385,546               |
| Performance Based Reimbursement from Child Nutrition                                      | 1608   | 10.555                                     | 58,410                  |
| National School Lunch Program - Cash Assistance   | 1608   | 10.555                                     | <u>1,990,520</u>        |
| Total Passed through Arkansas Department of Education                                     |  |  | <u>3,434,476</u>        |
| Total Child Nutrition Cluster   |  |  | <u>3,790,279</u>        |
| <b>CCDF CLUSTER:</b>  |  |  |                         |
| <b><u>U.S. Department of Health and Human Services</u></b>                                |  |  |                         |
| <b>Passed through Arkansas Department of Human Services:</b>                              |  |  |                         |
| Child Care and Development Block Grant  | 1608   | 93.575                                     | 171,511                 |
| Child Care Mandatory and Matching Funds of the Child Care and Development Fund            | 1608   | 93.596                                     | <u>672</u>              |
| Total CCDF Cluster  |  |  | <u>172,183</u>          |
| <b>OTHER PROGRAMS:</b>  |  |  |                         |
| <b><u>U.S. Department of Agriculture</u></b>  |  |  |                         |
| <b>Passed through Arkansas Department of Human Services:</b>                              |  |  |                         |
| Child and Adult Care Food Program   | 1608   | 10.558                                     | 54,291                  |
| <b>Passed through Arkansas Department of Education</b>                                    |  |  |                         |
| Fresh Fruit and Vegetable Program   | 1608   | 10.582                                     | <u>58,260</u>           |
| Total U.S. Department of Agriculture  |  |  | <u>112,551</u>          |
| <b><u>U.S. Department of Education</u></b>  |  |  |                         |
| <b>Passed through Arkansas Department of Education:</b>                                   |  |  |                         |
| Title I, Part A - Grants to Local Educational Agencies                                    | 1608   | 84.010                                     | 3,258,472               |
| Title I - School Improvement Grants   | 1608   | 84.010                                     | 4,570                   |
| Title I - School Improvement Planning Grants  | 1608   | 84.010                                     | 68,505                  |
| Title I - School Improvement Implementation Grant   | 1609   | 84.010                                     | 158,131                 |
| Migrant Education State Grant Program   | 1608   | 84.011                                     | 78,019                  |
| Title VI - Part B - Special Education Grants to States                                    | 1608   | 84.027                                     | 1,421,774               |
| Twenty-First Century Community Learning Centers   | 1608   | 84.287                                     | 102,389                 |
| Title III - English Language Acquisition  | 1608   | 84.365                                     | 36,441                  |
| COVID-19 - Education Stabilization Grant  | 1608   | 84.425D                                    | 145,770                 |
| Substance Abuse and Mental Health Services Projects of Regional and National Significance | 1608   | 93.243                                     | <u>10,000</u>           |
| Total Passed through Arkansas Department of Education                                     |  |  | 5,284,071               |
| <b>Passed through Arkansas Department of Career Education:</b>                            |  |  |                         |
| Career and Technical Education - Basic Grants   | 1608   | 84.048                                     | <u>124,801</u>          |
| Total U.S. Department of Education  |  |  | <u>5,408,872</u>        |

**JONESBORO SCHOOL DISTRICT NO. 1**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**YEAR ENDED JUNE 30, 2020**

| <b>Federal grant/pass-through<br/>grantor/program title</b>  | <b>Pass through<br/>entity identifying<br/>number</b> | <b>Federal<br/>assistance<br/>listing<br/>number</b> | <b>Federal<br/>expenditures</b> |
|--|---|--|---------------------------------|
| <b>OTHER PROGRAMS (continued):</b>                           |   |  |                                 |
| <b><u>U.S. Department of Health and Human Services</u></b>   |   |  |                                 |
| <b>Passed through Arkansas Department of Human Services:</b> |   |  |                                 |
| Title IV-E - Foster Care                                     | 1608  | 93.658   | 442                             |
| <b>Passed through Arkansas Early Learning, Inc.:</b>         |   |  |                                 |
| Preschool Development Grant - Head Start                     | 1608  | 93.600   | <u>563,441</u>                  |
| Total U.S. Department of Health and Human Services           |   |  | <u>563,883</u>                  |
| Total Other Programs   |   |  | <u>6,085,306</u>                |
| Total Expenditures of Federal Awards                         |   |  | <u><u>\$ 10,047,768</u></u>     |

**Notes to schedule:**

- This schedule includes the federal awards activity of the District and is presented on the regulatory basis of accounting. 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. Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District did not elect to use the 10% de minimis indirect cost rate.
- Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$403,718 are not covered by the reporting requirements of the Uniform Guidance.
- Nonmonetary assistance is reported at the approximate value as provided by the U.S. Department of Agriculture.
- The District received approval from the Arkansas Department of Education to transfer \$293,682 Title II - Part A - Improving Teacher Quality State Grants and \$225,101 Title IV - Student Support and Academic Enrichment funds to Title I, Part A - Grants to Local Education Agencies.

**JONESBORO SCHOOL DISTRICT NO. 1****SCHEDULE OF STATE ASSISTANCE****YEAR ENDED JUNE 30, 2020****Arkansas Department of Education**

|   |                   |
|---|-------------------|
| State Foundation Funding                    | \$ 28,815,866     |
| National School Lunch Student Funding       | 5,082,636         |
| 98% Uniform Rate of Tax Assessment          | 44,549            |
| Gifted and Talented - Advanced Placement    | 10,950            |
| Student Growth Funding                      | 261,110           |
| Professional Development Funding            | 176,658           |
| English Language Learners                   | 183,885           |
| Debt Service Supplement                     | 122,687           |
| School Food Service State Matching          | 30,741            |
| Special Education Catastrophic Loss Funding | 296,561           |
| Special Education Extended School Year      | 64,972            |
| Alternative Learning Environment            | 478,106           |
| Arkansas Better Chance Program              | 531,362           |
| National Board Certification                | 365,700           |
| Juvenile Detention                          | 427,738           |
| NSL Match Grant                             | 438,658           |
| Children with Disabilities                  | 27,498            |
|   | <u>37,359,677</u> |

**Arkansas Department of Career Education**

|                          |           |
|--------------------------|-----------|
| Secondary Career Centers | 1,429,906 |
|--------------------------|-----------|

**Arkansas Department of Transportation**

|                        |       |
|------------------------|-------|
| Other State Grants/Aid | 2,337 |
|------------------------|-------|

**Arkansas Department of Human Services**

|                              |     |
|------------------------------|-----|
| DCCECE Even Start Supplement | 897 |
|------------------------------|-----|

|                        |                      |
|------------------------|----------------------|
| Total State Assistance | <u>\$ 38,792,817</u> |
|------------------------|----------------------|

## JONESBORO SCHOOL DISTRICT NO. 1

### SCHEDULE OF UNITS OF SERVICE - CHILD AND ADULT CARE FOOD PROGRAM

**YEAR ENDED JUNE 30, 2020  
(UNAUDITED)**

| <u>Month</u>    | <u>Meals Served</u>   |                       |                     |                      |
|-----------------|-----------------------|-----------------------|---------------------|----------------------|
|                 | <u>Breakfast</u>      | <u>Lunch</u>          | <u>Dinner</u>       | <u>Snack</u>         |
| July, 2019      | 8,686                 | 11,342                | -                   | 958                  |
| August, 2019    | 59,808                | 75,829                | -                   | 3,914                |
| September, 2019 | 90,765                | 110,212               | 1,162               | 6,919                |
| October, 2019   | 97,080                | 119,985               | 1,204               | 7,470                |
| November, 2019  | 70,974                | 87,877                | 776                 | 5,397                |
| December, 2019  | 61,819                | 77,887                | 793                 | 4,864                |
| January, 2020   | 81,742                | 101,098               | 1,149               | 6,441                |
| Februray, 2020  | 82,468                | 100,112               | 1,014               | 6,372                |
| March, 2020     | 47,484                | 57,006                | 465                 | 3,238                |
| April, 2020     | 31,629                | 31,653                | -                   | -                    |
| May, 2020       | 33,846                | 33,852                | -                   | -                    |
| June, 2020      | <u>45,087</u>         | <u>45,113</u>         | <u>-</u>            | <u>-</u>             |
| Total           | <u><u>711,388</u></u> | <u><u>851,966</u></u> | <u><u>6,563</u></u> | <u><u>45,573</u></u> |

**JONESBORO SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2020**

**A. SUMMARY OF AUDITORS' RESULTS**

1. Our report expresses an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on the regulatory basis of accounting used in preparing the financial statements of Jonesboro School District No. 1.

2. The independent auditors' report on internal control over financial reporting described:

Significant deficiency(ies) identified?  Yes  No

Material weakness(es) identified?  Yes  No

3. Noncompliance considered material to the financial statements was disclosed by the audit?  Yes  No

4. The independent auditors' report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiency(ies) identified?  Yes  No

Material weakness(es) identified?  Yes  No

5. The opinion expressed in the independent auditors' report on compliance with requirements applicable to major federal awards was:

Unmodified       Modified       Adverse       Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance?  Yes  No

7. The Auditee's major programs were:

| Cluster/Program           | Assistance Listing |
|---------------------------|--------------------|
| • Child Nutrition Cluster | 10.553 and 10.555  |

8. The threshold used to distinguish between Type A & Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

**JONESBORO SCHOOL DISTRICT NO. 1****SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)****YEAR ENDED JUNE 30, 2020****A. SUMMARY OF AUDITORS' RESULTS (CONTINUED)**

9. The Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

  
Yes  
No**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

None noted

**C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT**

None noted

**D. PRIOR YEAR FINDINGS AND QUESTIONED COST**

None noted

**INDEPENDENT AUDITORS' REPORT ON  
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

To the Board of Education  
Jonesboro School District No. 1  
Jonesboro, Arkansas

We have examined management's assertions that Jonesboro School District No. 1 (the "District") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2020. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

In our opinion, Jonesboro School District No. 1 complied with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of the School Board, management, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

*HCJ CPAs & Advisors, PLLC*

HCJ CPAs & Advisors, PLLC  
Little Rock, Arkansas  
January 6, 2021

**JONESBORO SCHOOL DISTRICT NO. 1**  
**SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION**  
**TO BE ADDRESSED IN INDEPENDENT AUDITORS' REPORT ON COMPLIANCE**  
**YEAR ENDED JUNE 30, 2020**

| <u><b>DESCRIPTION</b></u>  | <u><b>STATUTES</b></u>   |
|--|--|
| <b>Bidding &amp; Purchasing Commodities</b>                          | 6-21-301 – 6-21-305  |
| <b>Ethical Guidelines and Prohibitions</b>                           | 6-13-628; 6-24-101 et seq.   |
| <b>Collateralization &amp; Investment of Funds</b>                   | 6-20-222; 19-1-504   |
| <b>Deposit of Funds</b>  | 19-8-104; 19-8-106   |
| <b>District Finances</b>   |  |
| • Bonded & Non-bonded Debt, District                                 | 6-20-402   |
| School Bonds   | 6-20-1201 – 6-20-1208; 6-20-1210   |
| • Petty Cash   | 6-20-409   |
| • Changes in Pullback (no deferrals – declining accrual percentages) | 6-20-401   |
| • Investment of Fund   | 19-1-504   |
| <b>Management of Schools</b>   |  |
| • Board of Directors   | 6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.   |
| • District Treasurer   | 6-13-701   |
| ○ Warrants/checks  | 6-17-918; 6-17-919; 6-20-403   |
| <b>Management Letter for Audit</b>                                   | 14-75-101 – 14-75-104  |
| <b>Nonrecurring Salary Payments</b>                                  | 6-20-412   |
| <b>Revolving Loan Fund</b>   | 6-19-114; 6-20-801 et seq.   |
| <b>Salary Laws - Classified</b>                                      | 6-17-2201 et seq.; 6-17-2301 et seq.   |
| <b>Salary Increases 5% or more (Certified &amp; Classified)</b>      | 6-13-635   |
| <b>School Elections</b>  | 6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118   |
| <b>Teachers and Employees</b>  |  |
| • Personnel Policies   | 6-17-201 et seq., 6-17-2301  |
| • Employment and Assignment  | 6-17-301 et seq.   |
| • Teacher's License Requirement                                      | 6-17-401 et seq.   |
| • Contracts  | 6-17-801 et seq.   |
| • Certification Requirements   | 6-17-309; 6-17-401   |
| • Fair Dismissal Act   | 6-17-1501 et seq.; 6-17-1701 et seq.   |
| • Sick Leave Policies  | 6-17-1201 et seq.; 6-17-1301 et seq.   |
| • Minimum Wage Act   | 11-4-213, 11-4-218, 11-4-403, 11-4-405   |
| <b>Teacher Salaries and Foundation Funding Aid</b>                   | 6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919  |
| <b>Trust Funds (Education Excellence)</b>                            | 6-5-307  |
| <b>Use of Contractors, Improvement Contracts</b>                     | 22-9-201 – 22-9-205  |
| <b>Use of DM&amp;O Millage</b>                                       | 26-80-110  |
| <b>On Behalf Payments</b>  | The amounts of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District employees |
| <b>Real Estate and Personal Property Tax Appeals</b>                 | 26-35-802 (Act 657 of 2020)  |
| <b>Arkansas Procurement Law</b>                                      | 19-11-201 et seq.  |
| <b>Limitation on Fund Balances</b>                                   | 6-20-2210 (Waived for 2019 - 2020 only)  |
| <b>Fiscal Accountability</b>   | 6-20-1901 et seq. (Act 929 of 2020)  |
| <b>Regulatory Basis of Accounting</b>                                | 10-4-413(c) (Act 867 of 2020)  |
| <b>Enhanced Student Achievement Funding ESA</b>                      | 6-20-2305(B)(4)(F)(I)  |
| <b>CARES ACT (COVID-19) Education Funding</b>                        | Commissioner's Memo LS-20-089  |

**JONESBORO SCHOOL DISTRICT NO. 1****SUPPLEMENTAL DATA SHEET****YEAR ENDED JUNE 30, 2020**

The following information is being provided to satisfy the requirements of Arkansas Department of Health and Human Services Audit Guidelines:

1. Entity's Full Name: Jonesboro School District No. 1
2. Entity's Address: 2506 Southwest Square  
Jonesboro, AR 72401
3. Entity's FEIN: 71-6021029
4. Entity's Telephone Number: 870-933-5800
5. Name of Director: Dr. Kim Wilbanks, Superintendent
6. Name of Contact Person: Belinda Locke