

**CONWAY SCHOOL DISTRICT NO. 1
CONWAY, 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
Conway School District No. 1
Conway, 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 Conway 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) as 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 District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph 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 in the first paragraph present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 867 of 2019, 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 the 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 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 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 7, 2021, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 7, 2021

CONWAY SCHOOL DISTRICT NO. 1

BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2020

	Governmental Funds			
	Major			
	General fund	Special revenue fund	Other governmental funds	Fiduciary fund types
ASSETS				
Cash and cash equivalents	\$ 6,718,243	\$ 1,087,321	\$ 10,876,329	\$ 509,365
Accounts receivable	-	831,928	-	-
Due from other funds	808,004	-	-	-
Total assets	<u>\$ 7,526,247</u>	<u>\$ 1,919,249</u>	<u>\$ 10,876,329</u>	<u>\$ 509,365</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 672,944	\$ 34,882	\$ 268,331	\$ -
Due to other funds	-	808,004	-	-
Due to student /other groups	-	-	-	509,365
Total liabilities	<u>672,944</u>	<u>842,886</u>	<u>268,331</u>	<u>509,365</u>
Fund Balances:				
Restricted:				
State programs	885,610	-	-	-
Federal programs	-	1,076,363	-	-
Assigned:				
Capital projects	-	-	10,607,998	-
Unassigned	5,967,693	-	-	-
Total fund balances	<u>6,853,303</u>	<u>1,076,363</u>	<u>10,607,998</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 7,526,247</u>	<u>\$ 1,919,249</u>	<u>\$ 10,876,329</u>	<u>\$ 509,365</u>

See accompanying notes.

CONWAY 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 fund</u>	<u>Special revenue fund</u>	<u>Other governmental funds</u>
REVENUES			
Property taxes	\$ 47,393,745	\$ -	\$ -
Interest	231,896	20,538	444,234
Tuition charges	840,428	-	-
State revenues	46,149,467	34,983	-
Federal revenues	-	10,187,445	-
Food services	-	1,043,834	-
Student activities	604,575	-	-
Other	269,956	-	21,809
	<u>95,490,067</u>	<u>11,286,800</u>	<u>466,043</u>
EXPENDITURES			
Current:			
Instruction and instructional - related services	51,124,604	4,011,059	35,949
Support services	30,224,957	1,934,050	3,381,623
Non-instructional services	32,594	5,307,445	-
Other	211	46,430	-
Debt service:			
Principal retirement	-	-	2,225,000
Interest and fiscal charges	-	-	4,013,201
Paying agent's fees	-	-	6,195
Capital outlay	<u>734,197</u>	<u>113,059</u>	<u>785,693</u>
	<u>82,116,563</u>	<u>11,412,043</u>	<u>10,447,661</u>
Excess (deficiency) of revenue over expenditures	13,373,504	(125,243)	(9,981,618)
OTHER FINANCING (USES) SOURCES			
Transfers, net	(13,286,973)	-	13,286,973
Bond issuance costs	-	-	(1,690,605)
Proceeds from bond issue	-	-	96,815,098
Payment to refunding agent	-	-	(94,190,000)
Payment of refunding interest	-	-	(922,377)
Compensation for disposal of capital assets	102,739	-	-
Total other financing (uses) sources	<u>(13,184,234)</u>	<u>-</u>	<u>13,299,089</u>
Net change in fund balances	189,270	(125,243)	3,317,471
Fund balance - beginning	<u>6,664,033</u>	<u>1,201,606</u>	<u>7,290,527</u>
Fund balance - ending	<u>\$ 6,853,303</u>	<u>\$ 1,076,363</u>	<u>\$ 10,607,998</u>

See accompanying notes.

CONWAY 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
REVENUES			
Property taxes	\$ 45,832,258	\$ 47,393,745	\$ 1,561,487
Interest	250,000	231,896	(18,104)
Tuition charges	305,335	840,428	535,093
State revenues	44,533,985	46,149,467	1,615,482
Federal revenues	-	-	-
Food services	-	-	-
Student activities	-	604,575	604,575
Other	448,450	269,956	(178,494)
	91,370,028	95,490,067	4,120,039
EXPENDITURES			
Current:			
Instruction and instructional-related services	50,235,314	51,124,604	(889,290)
Support services	30,693,695	30,224,957	468,738
Non-instructional services	65,787	32,594	33,193
Other	-	211	(211)
Capital outlay	709,232	734,197	(24,965)
	81,704,028	82,116,563	(412,535)
Excess (deficiency) of revenue over expenditures	9,666,000	13,373,504	3,707,504
OTHER FINANCING (USES) SOURCES			
Transfers, net	(9,885,665)	(13,286,973)	(3,401,308)
Compensation for disposal of capital assets	-	102,739	102,739
Total other financing uses	(9,885,665)	(13,184,234)	(3,298,569)
Net change in fund balances	\$ (219,665)	\$ 189,270	\$ 408,935

See accompanying notes.

Special Revenue Fund

Budget	Actual	Variance
\$ -	\$ -	\$ -
15,000	20,538	5,538
-	-	-
34,000	34,983	983
10,792,867	10,187,445	(605,422)
1,375,000	1,043,834	(331,166)
-	-	-
-	-	-
<u>12,216,867</u>	<u>11,286,800</u>	<u>(930,067)</u>
5,501,543	4,011,059	1,490,484
2,853,527	1,934,050	919,477
4,919,731	5,307,445	(387,714)
46,432	46,430	2
381,282	113,059	268,223
<u>13,702,515</u>	<u>11,412,043</u>	<u>2,290,472</u>
(1,485,648)	(125,243)	1,360,405
-	-	-
-	-	-
-	-	-
<u>\$ (1,485,648)</u>	<u>\$ (125,243)</u>	<u>\$ 1,360,405</u>

CONWAY SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies

Reporting entity

The Conway School District No. 1 (the "District") operates schools for students in grades Pre-Kindergarten through twelve in Conway, 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.

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:

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

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

Fiduciary Fund types including the following:

Private Purpose (*trust fund*) accounts for activities that are not District programs, but are programs sponsored by 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 expendable trust funds. The District does not have any private purpose accounts at year end.

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

CONWAY 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.

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.

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.

CONWAY 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>
Improvements/infrastructure	20
Building	50
Equipment	5-20

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 30th is less than the calculated 40% pullback amount, the difference must be accrued;
- If the amount of 40% pullback collected by June 30th 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. Now, if the District collects less than the stated pullback amount, they are allowed to accrue the difference. However, if they collect more, they must reflect it as current year revenues. In the current year, the District collected approximately \$16,600,000 more than the stated 4% pullback amount and has recorded this amount in its current year revenues.

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.

CONWAY SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Fund balance classifications

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.
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.

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.

CONWAY SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Budget and budgetary accounting (continued)

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to 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.

Interfund receivables and payables

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

Stabilization arrangements

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

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 7, 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:

	<u>Carrying value</u>	<u>Bank balance</u>
Insured (FDIC)	\$ 353,849	\$ 353,864
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	<u>18,837,409</u>	<u>23,519,459</u>
Total deposits	<u>\$ 19,191,258</u>	<u>\$ 23,873,322</u>

Note 3: Accounts receivable

The accounts receivable balance in the governmental funds consist of \$831,928 due from other governments at June 30, 2020.

CONWAY SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4: Commitments

Construction commitments

The district was contractually obligated for one construction contract related to a renovation project within the District, with a remaining contract balance of approximately \$4,700,000.

Long-term debt issued and outstanding

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

<u>Date of issue</u>	<u>Date of final maturity</u>	<u>Rate of interest</u>	<u>Amount authorized and issued</u>	<u>Debt outstanding June 30, 2020</u>	<u>Maturities to June 30, 2020</u>
06/01/2012	02/01/2034	1.35 - 3.20%	\$ 1,495,000	\$ 1,115,000	\$ 380,000
02/01/2013	02/01/2040	3.00 - 3.50%	36,480,000	-	36,480,000
02/01/2013	02/01/2034	2.00 - 3.13%	41,045,000	-	41,045,000
11/01/2014	02/01/2033	3.00 - 3.25%	18,575,000	-	18,575,000
09/01/2015	02/01/2040	2.00 - 3.75%	11,275,000	10,685,000	590,000
09/01/2016	02/01/2040	2.00 - 3.00%	37,170,000	37,070,000	100,000
09/15/2016	02/01/2040	2.00 - 3.00%	7,570,000	7,210,000	360,000
06/01/2017	02/01/2040	1.00 - 3.13%	10,000,000	-	10,000,000
09/01/2019	02/01/2040	2.63 - 5.00%	37,245,000	37,245,000	-
09/01/2019	02/01/2034	2.50 - 5.00%	32,330,000	31,850,000	480,000
10/01/2019	02/01/2033	2.50 - 5.00%	15,255,000	14,605,000	650,000
06/01/2020	02/01/2040	1.00 - 1.90%	9,285,000	9,285,000	-
Totals			<u>\$ 257,725,000</u>	<u>\$ 149,065,000</u>	<u>\$ 108,660,000</u>

Changes in long-term debt:

<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>
Bonds payable	<u>\$ 151,365,000</u>	<u>\$ 94,115,000</u>	<u>\$ 96,415,000</u>	<u>\$ 149,065,000</u>

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

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 4,665,000	\$ 4,107,326	\$ 8,772,326
2022	5,265,000	3,979,165	9,244,165
2023	6,080,000	3,795,210	9,875,210
2024	6,305,000	3,567,305	9,872,305
2025	6,510,000	3,329,543	9,839,543
2026 - 2030	35,295,000	13,591,844	48,886,844
2031 - 2035	39,620,000	9,267,330	48,887,330
2036 - 2040	45,325,000	3,794,784	49,119,784
Totals	<u>\$ 149,065,000</u>	<u>\$ 45,432,507</u>	<u>\$ 194,497,507</u>

Operating leases

The District has entered into agreements to lease office equipment. Rental expense was \$99,913 for the year ended June 30, 2020.

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

The District's contributions to ATRS for nonfederally-funded employees for the years ended June 30, 2020, 2019, and 2018 were \$8,522,978; \$8,295,897; and \$8,069,224, 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 \$80,184,478.

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 or by calling 1-800-682-7377.

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 \$1,519; \$1,519; and \$1,498, 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 \$12,502.

Note 8: Risk management

The District is exposed to various risk 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 any of the three preceding years.

CONWAY SCHOOL DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 8: Risk management (continued)**

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

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 9: 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.

Note 10: On-behalf payments

During the year ended June 30, 2020, health insurance premiums of \$1,575,493 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District employees.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

CONWAY SCHOOL DISTRICT NO. 1**SCHEDULE OF CAPITAL ASSETS****FOR THE YEAR ENDED JUNE 30, 2020****(Unaudited)****Nondepreciable capital assets:**

Land	\$ 5,960,502
Construction in progress	292,845
Total nondepreciable capital assets	<u>6,253,347</u>

Depreciable capital assets:

Buildings	199,548,994
Improvements/infrastructure	5,184,437
Equipment	21,575,978
Total depreciable capital assets	<u>226,309,409</u>

Less accumulated depreciation for:

Buildings	58,610,413
Improvements/infrastructure	3,307,670
Equipment	16,475,493
Total accumulated depreciation	<u>78,393,576</u>

Total depreciable capital assets, net	<u>147,915,833</u>
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Capital assets, net	<u>\$ 154,169,180</u>
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**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
Conway School District No. 1
Conway, 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 Conway 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 7, 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws, 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 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.

HCT CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
January 7, 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
Conway School District No. 1
Conway, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Conway School District No. 1 (the "District") 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.

To the Board of Education
Page Two

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.

Other Matters

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

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questions costs as item 2020-001 that we consider to be a material weakness.

To the Board of Education
Page Three

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
January 7, 2021

CONWAY SCHOOL DISTRICT NO. 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal grant/pass-through grantor/program title	Pass through entity identifying number	Assistance listing number	Federal expenditures
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	2301	10.553	\$ 802,728
COVID-19 School Breakfast Program - Cash Assistance	2301	10.553	249,779
National School Lunch Program - Cash Assistance	2301	10.555	2,070,070
COVID-19 National School Lunch Program - Cash Assistance	2301	10.555	389,428
Performance based reimbursement from child nutrition	2301	10.555	59,965
COVID-19 Performance based reimbursement from child nutrition	2301	10.555	7,948
Total Passed through Arkansas Department of Education			<u>3,579,918</u>
Passed through Arkansas Department of Human Services:			
National School Lunch Program - Non-Cash Assistance	2301	10.555	518,293
Total Child Nutrition Cluster			<u>4,098,211</u>
OTHER PROGRAMS:			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
Fresh Fruit and Vegetable Program	2301	10.582	43,213
Direct Award:			
Farm to School Grant Program	N/A	10.575	16,938
Total U.S. Department of Agriculture			<u>60,151</u>
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title I, Part A - Grants to Local Education Agencies	2301	84.010	2,030,026
Migrant Education	2301	84.011	37,756
Title VI - Part B - Special Education Grants to States	2301	84.027	2,039,096
Title III - English Language Acquisition	2301	84.365	29,552
Title III - Recent Immigrant	2301	84.365	393
Title II - Part A - Improving Teacher Quality State Grants	2301	84.367	333,918
COVID-19 Education Stabilization Fund	2301	84.425D	58,929
Student Support and Academic Enrichment Program	2301	84.424	120,388
Total Passed through Arkansas Department of Education			<u>4,650,058</u>
Passed through Arkansas Department of Career Education:			
Vocational Education - Basic Grants	2301	84.048	146,027
Total U.S. Department of Education			<u>4,796,085</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Human Services:			
Child Care and Development Block Grant	2301	93.575	411,210
Total Passed through Arkansas Department of Human Services			<u>411,210</u>
Total Other Programs			<u>5,267,446</u>
Total Expenditures of Federal Awards			<u>\$ 9,365,657</u>

CONWAY SCHOOL DISTRICT NO. 1**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)****YEAR ENDED JUNE 30, 2020****Notes to schedule:**

1. 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 the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this 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.
2. Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$753,839 are not covered by the reporting requirements of the Uniform Guidance.
3. Reserve Officers' Training Corps reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$74,337 are not covered by the reporting requirements of the Uniform Guidance.
4. Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.

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

State Foundation Funding	\$ 37,592,782
98% Uniform Rate of Tax Actual Collection Adjustment	243,610
NBCT Teacher Bonuses	383,985
Bonded Debt Assistance	123,807
Student Growth Funding	769,773
GT Advanced Placement	43,250
Professional Development Funding	272,057
AR School Recognition	230,550
Alternative Learning	679,743
LEP Allocation	199,065
Youth Shelters	10,001
Special Education - Catastrophic Occurrences	150,337
National School Lunch Student Funding	2,594,758
Hand Resident Treatment	61,783
Non-Hand Resident Treatment	119,422
Arkansas Better Chance Program	993,200
Food Service State Matching	34,983
Child Supervision Extended School Year Funding	43,401
Special Education Extended School Year	814
Residential Center / Juvenile Detention	75,889
National School Lunch Match Grant	74,242
School Based Health	79,487
Governor's Computer Science Grant	8,298
	<u>44,785,237</u>

Arkansas Department of Career Education

SVAC Funding	556,834
Electrical Apprenticeship	4,138
Career New Program Start-Up	17,190
Workforce Center Grant	761,454
Traditional Apprenticeship	59,597
	<u>1,399,213</u>

Total State Assistance	<u>\$ 46,184,450</u>
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CONWAY 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 Conway 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 2 CFR section 200.516(a)? Yes No

7. The Auditee's major programs were:

Cluster/Program	Assistance Listing Number(s)
• Title VI, Part B – Special Education Grants to States	84.027

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

CONWAY 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

MATERIAL WEAKNESS

Title VI, Part B – Special Education Grants to States; CFDA No. 84.027

U.S. Department of Education Passed through Arkansas Department of Education

2020-001 Completion of Time Certifications

Statement of Condition: Time certifications for the Special Education program were not completed or were incorrectly completed.

Criteria: Time certifications over federal expenditures should be properly completed by the appropriate personnel.

Cause of condition: The District has policies in place for personnel to complete time certifications at the end of each school semester or daily if the employee spends time within multiple funds. However, management was unable to provide time certifications that were selected for testing due to the forms being misplaced and/or not completed. Additionally, several of the time certifications tested did not agree to the employee's actual allocation of pay due to being incorrectly completed.

Effect of condition: During testing, it was noted that time certifications for the Special Education Program were not properly obtained from employees, not completed, or completed incorrectly.

Context: A sample of 42 payroll transactions were selected to test controls related to allowable costs. The audit testing found 8 discrepancies related to the time certifications, of which, three time certifications were misplaced and/or not completed and 5 time certifications were incorrectly completed.

Recommendation: The District should monitor the completion of the periodic time certifications for applicable employees and appropriate personnel should review and approve all time certifications.

Views of responsible officials and planned corrective actions: Management agrees with this finding. To support any needed testing or to answer questions that arise from the public or any governmental-agency, the District has implemented an internal control procedure to ensure that all time certification sheets are completed, signed, and verified by the appropriate building and district-level staff. The correction process was initiated upon the auditors exit conference, and the corrections were completed by the end of October 2020. The person responsible for correcting the finding was Dr. KK Bradshaw, Assistant Superintendent.

D. PRIOR YEAR FINDINGS AND QUESTIONED COST

None noted

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

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

We have examined management's assertions that Conway 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 the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, Conway 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 7, 2021

CONWAY 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>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	
• Bonded & Non-bonded Debt, District School Bonds	6-20-402 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
Management of Schools	
• 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
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws - Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or more (Certified & Classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• 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
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205

CONWAY 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>DESCRIPTION</u>	<u>STATUTES</u>
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees
Regulatory Basis of Accounting	10-4-413(c) (Act 867 of 2020)
Real Estate and Personal Property Tax Appeals	26-35-802 (Act 657 of 2020)
Arkansas Procurement Law	19-11-201 et. Seq.
Fiscal Accountability	6-20-1901 et. Seq (Act 929 of 2020)
Enhanced Student Achievement Funding ESA	6-20-2305(B)(4)(F)(I)
Limitation on Fund Balances	6-20-2210 (Waived for 2019-2020 only)
CARES Act (COVID-19) Education Funding	Commissioner's Memo LS-20-089

CONWAY 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: Conway School District No. 1 of Faulkner County
2. Entity's Address: 2220 Prince Street
Conway, AR 72034
3. Entity's FEIN: 71-6021200
4. Entity's Telephone Number: 501-450-4800
5. Name of Director: Dr. Greg Murry, Superintendent
6. Name of Contact Person: Dr. Greg Murry, Superintendent