

Viola School District No. 15

Fulton County, Arkansas

Regulatory Basis Financial Statements And Other Reports

June 30, 2020



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FULTON COUNTY, ARKANSAS
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Arkansas



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

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

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Viola School District No. 15 and School Board Members
Legislative Joint Auditing Committee

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 Viola School District No. 15 (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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on 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 in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 paragraphs, 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 financial position for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purpose of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis 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 April 20, 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 that scope or our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
April 20, 2021
EDSD13120

Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Viola School District No. 15 and School Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Viola School District No. 15 (the "District"), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated April 20, 2021. We have issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

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 laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

AUDIT FINDINGS

Material Weakness

Internal control is a process consisting of five interrelated components – control environment, risk assessment, information and communication, control activities, and monitoring. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in financial statements.

Deficiencies in the internal control component of the control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, certain key weaknesses include the following: non-payroll checks were prepared and printed with the authorized signatures by the same employee responsible for the maintenance of accounting records. Receipting and depositing of funds were performed by the same employee. Payroll checks were prepared by the same employee responsible for changes to the payroll amounts.

District management, due to cost/benefit implication which hindered the District's ability to adequately segregate financial accounting duties among employees, did not effectively address the deficiencies in internal control. The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard District assets, was adversely affected by the identified weaknesses in the above internal control component. District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets.

Management Response: We concur with the recommendation and will implement corrective procedures to the extent possible.

District's Response to Findings

The District's response to the finding identified in our audit is described previously. The District's response was not subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
April 20, 2021

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 566,669		\$ 163,240	\$ 54,338
Accounts receivable	200	\$ 13,868		
Due from other funds	1,042			
TOTAL ASSETS	\$ 567,911	\$ 13,868	\$ 163,240	\$ 54,338
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 12,707	\$ 2,469		
Due student groups				\$ 54,338
Due to other funds		1,042		
Total Liabilities	12,707	3,511		54,338
Fund Balances:				
Restricted	46,111	10,357		
Assigned	16,051		\$ 163,240	
Unassigned	493,042			
Total Fund Balances	555,204	10,357	163,240	
TOTAL LIABILITIES AND FUND BALANCES	\$ 567,911	\$ 13,868	\$ 163,240	\$ 54,338

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

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 1,652,666		
State assistance	2,029,796	\$ 1,393	
Federal assistance	11,193	468,194	
Activity revenues	55,332		
Meal sales		29,251	
Investment income	9,281		
Other revenues	41,421	24,692	
TOTAL REVENUES	3,799,689	523,530	
EXPENDITURES			
Regular programs	1,729,521	10,466	
Special education	110,476	86,636	
Career education programs	196,282		
Compensatory education programs	23,288	125,408	
Other instructional programs	121,584		
Student support services	94,758	58,876	
Instructional staff support services	97,542	3,000	
General administration support services	150,637		
School administration support services	82,217		
Central services support services	55,153		
Operation and maintenance of plant services	500,594	6,242	
Student transportation services	271,855	6,138	
Other support services	3,389		
Food services operations		241,458	
Facilities acquisition and construction services	15,949		
Activity expenditures	46,460		
Debt Service:			
Principal retirement			\$ 170,000
Interest and fiscal charges			81,068
TOTAL EXPENDITURES	3,499,705	538,224	251,068
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	299,984	(14,694)	(251,068)
OTHER FINANCING SOURCES (USES)			
Transfers in	24,500	17,632	251,068
Transfers out	(268,700)		(24,500)
TOTAL OTHER FINANCING SOURCES (USES)	(244,200)	17,632	226,568
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	55,784	2,938	(24,500)
FUND BALANCES - JULY 1	499,420	7,419	187,740
FUND BALANCES - JUNE 30	\$ 555,204	\$ 10,357	\$ 163,240

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

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,715,250	\$ 1,652,666	\$ (62,584)			
State assistance	2,091,147	2,029,796	(61,351)	\$ 1,600	\$ 1,393	\$ (207)
Federal assistance	11,193	11,193		481,278	468,194	(13,084)
Activity revenues		55,332	55,332			
Meal sales				63,500	29,251	(34,249)
Investment income	15,000	9,281	(5,719)			
Other revenues	10,000	41,421	31,421		24,692	24,692
TOTAL REVENUES	3,842,590	3,799,689	(42,901)	546,378	523,530	(22,848)
EXPENDITURES						
Regular programs	1,712,696	1,729,521	(16,825)	3,000	10,466	(7,466)
Special education	155,241	110,476	44,765	86,800	86,636	164
Career education programs	201,974	196,282	5,692			
Compensatory education programs	23,388	23,288	100	141,654	125,408	16,246
Other instructional programs	119,076	121,584	(2,508)			
Student support services	109,730	94,758	14,972	67,558	58,876	8,682
Instructional staff support services	98,819	97,542	1,277	15,266	3,000	12,266
General administration support services	145,807	150,637	(4,830)			
School administration support services	82,282	82,217	65			
Central services support services	55,544	55,153	391			
Operation and maintenance of plant services	484,924	500,594	(15,670)	2,600	6,242	(3,642)
Student transportation services	265,062	271,855	(6,793)		6,138	(6,138)
Other support services	5,000	3,389	1,611			
Food services operations				264,420	241,458	22,962
Community services operations				1,000		1,000
Facilities acquisition and construction services		15,949	(15,949)			
Activity expenditures		46,460	(46,460)			
TOTAL EXPENDITURES	3,459,543	3,499,705	(40,162)	582,298	538,224	44,074

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 383,047	\$ 299,984	\$ (83,063)	\$ (35,920)	\$ (14,694)	\$ 21,226
OTHER FINANCING SOURCES (USES)						
Transfers in	4,748,830	24,500	(4,724,330)	68,924	17,632	(51,292)
Transfers out	(5,035,519)	(268,700)	4,766,819	(33,004)		33,004
TOTAL OTHER FINANCING SOURCES (USES)	(286,689)	(244,200)	42,489	35,920	17,632	(18,288)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	96,358	55,784	(40,574)	0	2,938	2,938
FUND BALANCES - JULY 1	557,331	499,420	(57,911)	1,616	7,419	5,803
FUND BALANCES - JUNE 30	\$ 653,689	\$ 555,204	\$ (98,485)	\$ 1,616	\$ 10,357	\$ 8,741

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

VIOLA SCHOOL DISTRICT NO. 15
FULTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five 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 Viola School District (District). There are no component units.

B. Description of Funds

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

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

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

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

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

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

Fiduciary Fund types include the following:

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

C. Measurement Focus and Basis of Accounting

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

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

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2019 calendar year taxes collected by June 30, 2020 and 4 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2020 equaled or exceeded the 4 percent calculation.

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.

VIOLA SCHOOL DISTRICT NO. 15
FULTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

1. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Assigned fund balance – represents amounts that are constrained by the District's *intent* to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

I. Budget and Budgetary Accounting

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

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.

J. Stabilization Arrangements

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

K. Minimum Fund Balance Policies

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

L. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The District's Board of Education has not adopted a formal policy addressing this authorization.

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Classification Policies and Procedures (Continued)

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

M. Encumbrances

The District does not utilize encumbrance accounting.

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:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	507,565	639,438
Total Deposits	\$ 757,565	\$ 889,438

The above total deposits do not include cash of \$26,682 which was held in the Fulton County Treasury.

3: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds	
	Major	Special Revenue
General		
Federal assistance		\$ 13,778
Meal sales		10
Other	\$ 200	80
Totals	\$ 200	\$ 13,868

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2020:

Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2020	Maturities To June 30, 2020
<u>Bonds</u>					
11/10/16	2/1/38	1.1 - 2.75%	\$ 3,835,000	\$ 3,645,000	\$ 190,000

Changes in Long-term Debt

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
Bonds payable	\$ 3,815,000	\$ 0	\$ 170,000	\$ 3,645,000

Future Principal and Interest Payments

Year Ended June 30,	Bonds		
	Principal	Interest	Total
2021	\$ 175,000	\$ 78,713	\$ 253,713
2022	180,000	76,438	256,438
2023	175,000	73,918	248,918
2024	180,000	71,292	251,292
2025	180,000	68,413	248,413
2026-2030	965,000	292,602	1,257,602
2031-2035	1,075,000	182,737	1,257,737
2036-2038	715,000	39,737	754,737
Totals	\$ 3,645,000	\$ 883,850	\$ 4,528,850

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Division of Elementary and Secondary Education (DESE). Depending on the date of the bond issue, DESE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

5: ACCOUNTS PAYABLE

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 12,707	\$ 2,469

6: INTERFUND TRANSFERS

The District transferred \$251,068 from the general fund to the other aggregate funds for debt related payments. Additionally, the District transferred \$17,632 from the general fund to the special revenue fund to supplement food service operations. The District transferred \$24,500, previously assigned for capital expenditures, from the other aggregate funds to the general fund for operating purposes.

7: RELATED-PARTY TRANSACTION

The District maintained a bank balance of \$889,438 with Bank of Salem at June 30, 2020. A member of the District's Board of Education is a Senior Vice President of this bank. In accordance with Ark. Code Ann. § 6-24-105, a resolution to conduct business with this bank was adopted by the District's Board of Education and approved by the Arkansas Division of Elementary and Secondary Education.

8: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.25% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2020 were \$364,534, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$3,427,708.

VIOLA SCHOOL DISTRICT NO. 15
FULTON COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$3,835,000 issued on November 10, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$4,528,850 payable through February 1, 2038. Principal and interest paid for the current year and total property taxes pledged for debt service were \$250,668 and \$635,516, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 39.44 percent.

10: RISK MANAGEMENT

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

The District carries commercial insurance for board liability and business trip accidental death and dismemberment coverage.

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

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

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

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

11: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$97,594 for the year ended June 30, 2020.

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2020

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 4,334		
Enhanced student achievement funding	25,084		
Professional development	2,406		
Child nutrition programs		\$ 90	
Medical services		10,267	
Special education programs	1,996		
Other purposes	12,291		
Total Restricted	<u>46,111</u>	<u>10,357</u>	
Assigned to:			
Capital projects			\$ 163,240
Student activities	16,051		
Total Assigned	<u>16,051</u>		<u>163,240</u>
Unassigned	<u>493,042</u>		
Totals	<u>\$ 555,204</u>	<u>\$ 10,357</u>	<u>\$ 163,240</u>

13: RESPONSE TO COVID-19

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

14: SUBSEQUENT EVENT

The District entered into a solar power services agreement on April 29, 2020, to lease land to a solar power provider for the construction of a solar power plant. The District will purchase 100% of the power generated by this facility over the next 20 years at \$0.052 cents/kWh.

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

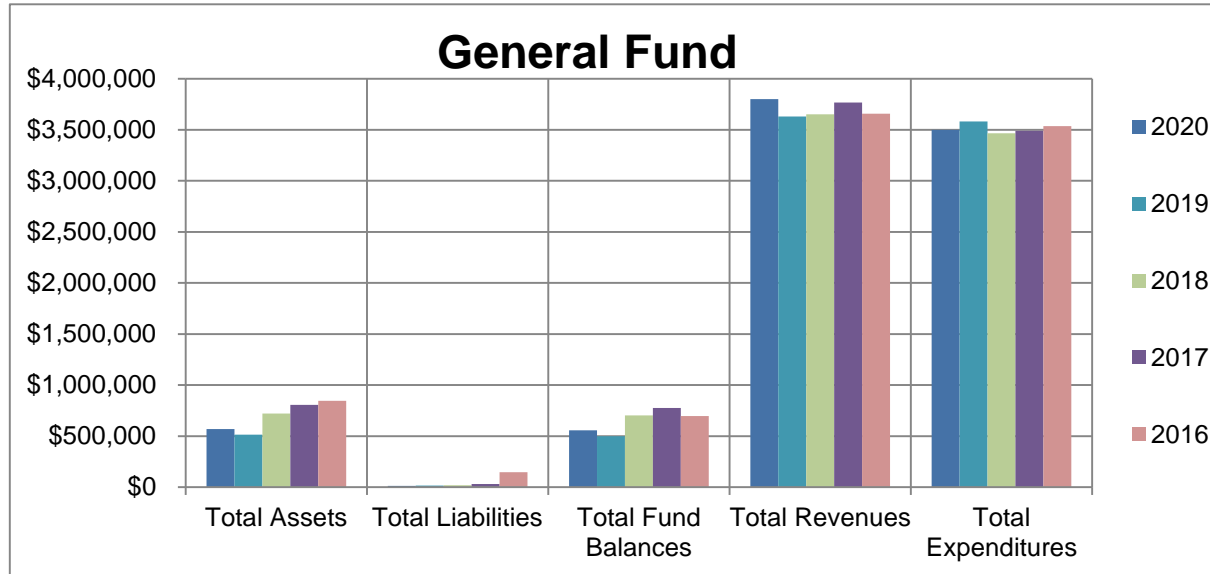
Schedule 1

	Balance June 30, 2020
Nondepreciable capital assets:	
Land	\$ 170,352
Depreciable capital assets:	
Buildings	7,572,916
Improvements/infrastructure	43,206
Equipment	1,625,530
Total depreciable capital assets	9,241,652
Less accumulated depreciation for:	
Buildings	2,632,630
Improvements/infrastructure	37,924
Equipment	1,308,434
Total accumulated depreciation	3,978,988
Total depreciable capital assets, net	5,262,664
Capital assets, net	\$ 5,433,016

VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

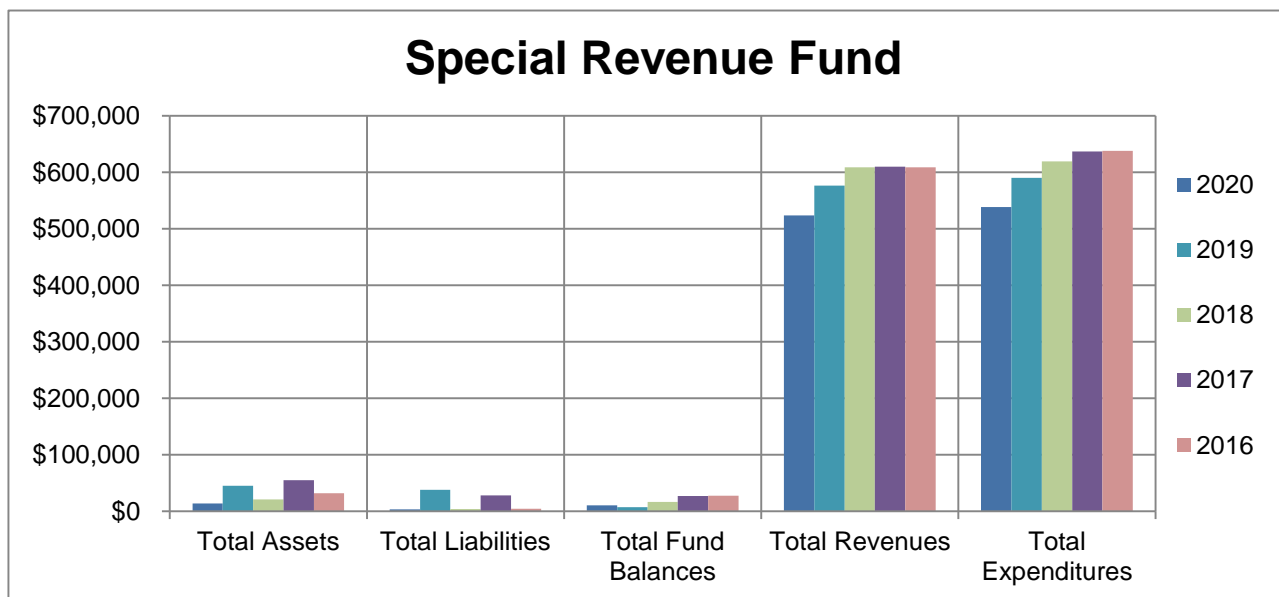
Schedule 2

General Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 567,911	\$ 514,651	\$ 720,433	\$ 805,653	\$ 844,211
Total Liabilities	12,707	15,231	18,000	29,486	146,188
Total Fund Balances	555,204	499,420	702,433	776,167	698,023
Total Revenues	3,799,689	3,630,990	3,651,543	3,767,213	3,657,195
Total Expenditures	3,499,705	3,580,822	3,466,978	3,491,830	3,535,311
Total Other Financing Sources (Uses)	(244,200)	(253,181)	(258,299)	(197,239)	(169,618)



VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 13,868	\$ 45,317	\$ 20,782	\$ 55,042	\$ 31,775
Total Liabilities	3,511	37,898	3,980	27,863	4,379
Total Fund Balances	10,357	7,419	16,802	27,179	27,396
Total Revenues	523,530	576,251	608,870	609,716	609,089
Total Expenditures	538,224	590,134	619,247	637,026	638,167
Total Other Financing Sources (Uses)	17,632	4,500		27,093	21,375



VIOLA SCHOOL DISTRICT NO. 15
 FULTON COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 163,240	\$ 187,740	\$ 134,175	\$ 49,175	\$ 35,375
Total Liabilities					
Total Fund Balances	163,240	187,740	134,175	49,175	35,375
Total Revenues			2		
Total Expenditures	251,068	195,116	173,301	253,926	199,454
Total Other Financing Sources (Uses)	226,568	248,681	258,299	267,726	148,243

