

FOUNTAIN LAKE SCHOOL DISTRICT #18

**REGULATORY BASIS FINANCIAL STATEMENTS
AND OTHER REPORTS**

JUNE 30, 2020

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Fountain Lake School District #18

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 Fountain Lake School District #18, 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. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 Opinion 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

Supplementary and 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 Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Capital Assets are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates 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. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The Schedule of Capital Assets has not been subjected to 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 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.



Craft, Veach & Company, PLC
North Little Rock, Arkansas
January 7, 2021

	General Fund	Special Revenue Fund	Other Funds In Aggregate	Fiduciary Funds
ASSETS				
Cash and Cash Equivalents	\$ 3,028,039	\$ 557,825	\$ 2,441,095	\$ 58,436
Deposits With Paying Agents	-	-	-	-
Accounts Receivable	-	31,362	-	-
Due From Other Funds	-	-	-	-
TOTAL ASSETS	<u>3,028,039</u>	<u>589,187</u>	<u>2,441,095</u>	<u>58,436</u>
LIABILITIES				
Accounts Payable	65,704	12,634	135,536	-
Due To Student Groups	-	-	-	58,436
Due To Other Funds	-	-	-	-
TOTAL LIABILITIES	<u>65,704</u>	<u>12,634</u>	<u>135,536</u>	<u>58,436</u>
FUND BALANCES				
Restricted	134,473	576,553	2,305,559	-
Assigned	833,207	-	-	-
Unassigned	1,994,655	-	-	-
TOTAL FUND BALANCES	<u>2,962,335</u>	<u>576,553</u>	<u>2,305,559</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,028,039</u>	<u>\$ 589,187</u>	<u>\$ 2,441,095</u>	<u>\$ 58,436</u>

	General Fund	Special Revenue Fund	Other Funds in Aggregate
REVENUES			
Local Revenues	\$ 67,191	\$ 180,439	\$ -
Property Taxes	13,411,441	-	-
Activity Revenue	136,257	-	-
Investment Income	87,932	-	38,268
State Assistance	958,571	4,257	-
Restricted Federal Aid	-	1,400,094	83,725
Miscellaneous Revenues	11,475	-	-
TOTAL REVENUES	<u>14,672,867</u>	<u>1,584,790</u>	<u>121,993</u>
EXPENDITURES			
Regular Programs	4,686,287	14,974	-
Special Education	1,081,780	104,680	-
Vocational Education	192,589	-	-
Compensatory Education	216,561	365,550	-
Support Services	3,143,111	267,274	-
Community Service	-	-	-
Other Instructional Programs	696,428	-	-
Food Service	278	645,642	-
Operation and Maintenance	1,689,027	18,039	48,230
Student Transportation	1,037,822	10,236	-
Activity Expenditures	671,766	-	-
Facilities Acquisition and Construction Services	243,300	4,931	634,044
Debt Service			
Principal	-	-	425,000
Interest and Fiscal Fees	-	-	495,628
TOTAL EXPENDITURES	<u>13,658,949</u>	<u>1,431,326</u>	<u>1,602,902</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,013,918</u>	<u>153,464</u>	<u>(1,480,909)</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	18,587,829	21,622	1,291,910
Operating Transfers Out	(19,343,609)	(21,622)	(536,130)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(755,780)</u>	<u>-</u>	<u>755,780</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	258,138	153,464	(725,129)
FUND BALANCES, BEGINNING OF YEAR	<u>2,704,197</u>	<u>423,089</u>	<u>3,030,688</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,962,335</u>	<u>\$ 576,553</u>	<u>\$ 2,305,559</u>

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES			
Local Revenues	\$ 60,000	\$ 67,191	\$ 7,191
Property Taxes	13,546,476	13,411,441	(135,035)
Activity Revenue	-	136,257	136,257
Investment Income	75,000	87,932	12,932
State Assistance	863,959	958,571	94,612
Restricted Federal Aid	-	-	-
Miscellaneous Revenues	-	11,475	11,475
TOTAL REVENUES	<u>14,545,435</u>	<u>14,672,867</u>	<u>127,432</u>
EXPENDITURES			
Regular Programs	5,608,655	4,686,287	922,368
Special Education	1,224,014	1,081,780	142,234
Vocational Education	208,099	192,589	15,510
Compensatory Education	221,887	216,561	5,326
Support Services	3,338,966	3,143,111	195,855
Community Service	-	-	-
Other Instructional Programs	597,891	696,428	(98,537)
Food Service	400	278	122
Operation and Maintenance	1,453,999	1,689,027	(235,028)
Student Transportation	1,268,963	1,037,822	231,141
Activity Expenditures	-	671,766	(671,766)
Facilities Acquisition and Construction Services	236,000	243,300	(7,300)
Debt Service			
Principal	-	-	-
Interest and Fiscal Fees	-	-	-
TOTAL EXPENDITURES	<u>14,158,873</u>	<u>13,658,949</u>	<u>499,924</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>386,562</u>	<u>1,013,918</u>	<u>627,356</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	19,358,470	18,587,829	(770,641)
Operating Transfers Out	(20,303,030)	(19,343,609)	959,421
TOTAL OTHER FINANCING SOURCES (USES)	<u>(944,560)</u>	<u>(755,780)</u>	<u>188,780</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(557,998)	258,138	816,136
FUND BALANCES, BEGINNING OF YEAR		<u>2,704,197</u>	
FUND BALANCES, END OF YEAR		<u>\$ 2,962,335</u>	

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL - SPECIAL REVENUE FUND - REGULATORY BASIS
 YEAR ENDED JUNE 30, 2020

	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Local Revenues	\$ 273,000	\$ 180,439	\$ (92,561)
Property Taxes	-	-	-
Activity Revenue	-	-	-
Investment Income	-	-	-
State Assistance	2,500	4,257	1,757
Restricted Federal Aid	1,652,995	1,400,094	(252,901)
TOTAL REVENUES	<u>1,928,495</u>	<u>1,584,790</u>	<u>(343,705)</u>
EXPENDITURES			
Regular Programs	-	14,974	(14,974)
Special Education	157,978	104,680	53,298
Vocational Education	-	-	-
Compensatory Education	445,717	365,550	80,167
Support Services	742,902	267,274	475,628
Community Service	7,615	-	7,615
Other Instructional Programs	-	-	-
Food Service	659,400	645,642	13,758
Operation and Maintenance	141,953	18,039	123,914
Student Transportation	15,000	10,236	4,764
Activity Expenditures	-	-	-
Facilities Acquisition and Construction Services	-	4,931	(4,931)
Debt Service			
Principal	-	-	-
Interest and Fiscal Fees	-	-	-
TOTAL EXPENDITURES	<u>2,170,565</u>	<u>1,431,326</u>	<u>739,239</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(242,070)</u>	<u>153,464</u>	<u>395,534</u>
OTHER FINANCING SOURCES (USES)			
Operating Transfers In	(21,622)	21,622	43,244
Operating Transfers Out	21,622	(21,622)	(43,244)
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>(242,070)</u>	<u>153,464</u>	<u>395,534</u>
FUND BALANCES, BEGINNING OF YEAR		<u>423,089</u>	
FUND BALANCES, END OF YEAR		<u>\$ 576,553</u>	

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***Reporting Entity***

The Board of Directors, a group of five (5) permanent members, is the level of government which has governing responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Fountain Lake School District #18 (the District). The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board of Directors is not included in any other governmental "reporting entity," since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Only the accounts of the Fountain Lake School District #18 are included in these statements, and there are no component units that are or should be included in the District's reporting entity.

Regulatory Basis of Accounting/M Measurement Focus

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 the 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.

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 the financial statements.

Description of Funds

General Fund – The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Arkansas.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Description of Funds (Continued)***

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 – Other governmental funds consist of (a) the Debt Service Fund, which is used for accumulation of resources for payment of principal, interest and related costs on general long-term debt; and (b) the Capital Projects Fund, which is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).

Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is made up of agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Activities in these trust funds are reflected in the statement of revenues, expenditures and changes in fund balance, under the general fund. Balances in the trust funds are included in the restricted fund balances. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurements of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes.

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 12 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 12 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.

Capital Assets

Information on capital assets and related depreciation is reported on the Schedule of Capital Assets included with the Supplementary Information. 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment.

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
Buildings	50
Equipment	5-20

Fund Balance Classifications

Fund balances represent the difference between assets and liabilities and are categorized as follows:

Restricted fund balance – consists of 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.

Assigned fund balance – consists of amounts that are constrained by the District’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned fund balance – consists of amounts that have not been assigned to other funds and that have 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 for specific purposes exceed the amounts restricted, committed, or assigned to those purposes

Interfund Receivables and Payables

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)***Stabilization Arrangements***

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

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 Directors has not adopted a formal policy addressing this authorization.

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 (sources 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.

Estimates

The preparation of the financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

NOTE 2: DEPOSITS AND INVESTMENTS***Deposits***

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The District's deposit policy for custodial credit risk requires compliance with the provisions of state laws.

State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bond or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by bond executed by a surety company authorized to do business in the State of Arkansas.

At June 30, 2020, none of the District's bank balances of \$5,241,464 were exposed to custodial credit risk.

Summary of Carrying Values

The carrying value of the deposits noted above, are included in the fund financial statements at June 30, 2020, in the amount of \$6,085,395.

NOTE 3: LONG-TERM DEBT

The following is a summary of the District’s bond transactions for the year ended June 30, 2020:

Date of Issue	Bonds Payable		Bonds Payable	
	June 30, 2019	Issued	Retired	June 30, 2020
July 31, 2012	\$ 10,295,000	\$ -	\$ 10,295,000	\$ -
May 1, 2020	-	9,995,000	-	9,995,000
August 24, 2010	1,840,000	-	-	1,840,000
	<u>\$ 12,135,000</u>	<u>\$ 9,995,000</u>	<u>\$ 10,295,000</u>	<u>\$ 11,835,000</u>

A summary of each bond issue is as follows:

Date of Issue	Amount of Original Issue	Interest Rate Percentage	Payment Dates	Range of Annual Maturities
7/31/2012	\$ 11,770,000	2.00 - 3.625	12/1 - 6/1	\$270k - \$765k
5/1/2020	\$ 9,995,000	1.10 - 2.00	12/1 - 6/1	\$220k - \$765k
8/24/2010	\$ 1,840,000	5.00	8/1 - 2/1	\$108,235*

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition, construction and operation of major capital facilities. General obligation bonds have been issued for the general government and to refund general obligation bonds.

General obligation bonds are direct obligations and are secured by the full faith credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue contains an option allowing bonds to be called in inverse numerical order on or after a specific date for redemption prior to maturity.

On May 1, 2020, the District issued the 2020 Series refunding bonds through First Security Beardsley in the principal amount of \$9,995,000 in order to refund the remainder of the 2012 Series bonds through First National Bank of Lawrence County. This issuance results in Net Savings of \$1,127,389 over the life of the bond issue, which is 8.69% less than payments would have been on the 2012 Series issue.

Annual debt service requirements to maturity for general obligation bonds are as follows:

	Principal	Interest	Total
2021	\$ -	\$ 181,385	\$ 181,385
2022	220,000	166,223	386,223
2023	560,000	161,863	721,863
2024	575,000	155,478	730,478
2025	585,000	148,588	733,588
2026 - 2030	3,095,000	616,059	3,711,059
2031 - 2035	3,455,000	326,450	3,781,450
2036 - 2040	1,505,000	30,350	1,535,350
Thereafter	-	-	-
	<u>\$ 9,995,000</u>	<u>\$ 1,786,396</u>	<u>\$ 11,781,396</u>

NOTE 3: LONG-TERM DEBT (CONTINUED)***Qualified School Construction Bonds***

On August 24, 2010, the District obtained funding of \$1,840,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit \$108,235 annually into a sinking fund for 17 years. This amount plus interest earned will be used to retire the debt when due.

NOTE 4: RISK MANAGEMENT

The District is exposed to various risks of losses 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, student accidents, and volunteer accident and liability.

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 building, 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 \$250,000 with a \$1,000 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 member districts, a program of insurance to obtain lower costs for property and vehicles 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.

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.

NOTE 5: EMPLOYEE RETIREMENT SYSTEMS AND PLANS***Arkansas Teacher Retirement System***Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers 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 publically available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at www.artrs.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% 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% of covered salaries. The District's contributions to ATRS for the years ended June 30, 2020, were \$1,117,780, equal to the required contribution 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 \$10,821,651.

NOTE 6: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$275,225 for the year ended June 30, 2020.

NOTE 7: SUBSEQUENT EVENTS

As of the date on which the financial statements were available to be issued, the COVID-19 pandemic continues to actively spread. The challenges in maintaining a safe learning environment for students and staff have required the District to expend resources above and beyond a normal school year. Although it has not presented a significant negative impact to the District, if an outbreak were to occur among the employees of the District, the disruption to activities could be significant.

NOTE 8: DATE OF MANAGEMENT'S REVIEW

Management of the District has evaluated subsequent events through January 7, 2021, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

	Balance June 30, 2019	Additions	Disposals and Adjustments	Balance June 30, 2020
NONDEPRECIABLE CAPITAL ASSETS				
Land	\$ 800,500	\$ 235,350	\$ -	\$ 1,035,850
Construction in Progress	-	-	-	-
<i>Total Nondepreciable Capital Assets</i>	<u>800,500</u>	<u>235,350</u>	<u>-</u>	<u>1,035,850</u>
DEPRECIABLE CAPITAL ASSETS				
Buildings	22,669,806	116,268	-	22,786,074
Improvements/Infrastructure	3,957,001	116,451	-	4,073,452
Furniture, Fixtures, and Equipment	4,328,355	391,934	(186,851)	4,533,438
<i>Total Depreciable Capital Assets</i>	<u>30,955,162</u>	<u>624,653</u>	<u>(186,851)</u>	<u>31,392,964</u>
Less: Accumulated Depreciation	(12,820,170)	(992,452)	173,536	(13,639,086)
NET DEPRECIABLE CAPITAL ASSETS	<u>18,134,992</u>	<u>(367,799)</u>	<u>(13,315)</u>	<u>17,753,878</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 18,935,492</u>	<u>\$ (132,449)</u>	<u>\$ (13,315)</u>	<u>\$ 18,789,728</u>

NOTES TO SCHEDULE OF CAPITAL ASSETS

Capital assets generally result from expenditures in the governmental funds. These assets are not reported on the fund financial statement balance sheet-regulatory basis.

Capital assets are valued at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are valued at their estimated fair value as of the date received. Improvements are capitalized; the cost of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized. Interest incurred during construction is not capitalized.

Capital assets not being depreciated include land and construction in progress. Improvements are depreciated over the remaining useful lives of the capital assets. Since surplus assets are sold for an immaterial amount when declared as no longer needed, no salvage value is taken into consideration for depreciation purposes. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The District has established capitalization thresholds of \$1,000 and estimated useful lives that range between 5 and 50 years.

<u>Federal Grantor/ CLUSTER NAME/ Program Name/ Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Name</u>	<u>Expenditures Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
CHILD NUTRITION CLUSTER				
School Breakfast Program				
Pass-through from Arkansas Department of Education	10.553	School Breakfast Program	\$ -	\$ 158,132
National School Lunch Program				
Pass-through from Arkansas Department of Education	10.555	National School Lunch Program	-	343,843
Pass-through from Arkansas Department of Education	10.555	Performance Based Reimbursement	-	9,182
Pass-through from Arkansas Department of Education	10.555	Food Distribution - Cash	-	9,543
Pass-through from Arkansas Department of Human Services	10.555	Food Distribution - Non Cash	-	-
Total National School Lunch Program			-	362,568
TOTAL CHILD NUTRITION CLUSTER			-	520,700
Child Nutrition Discretionary Grants Limited Availability				
Pass-through from Arkansas Department of Education	10.579	Child Nutrition Discretionary Grant	-	-
Fresh Fruit and Vegetable Program				
Pass-through from Arkansas Department of Human Services	10.582	Fresh Fruit and Vegetable Program - Non Cash	-	-
Total U.S. Department of Agriculture			-	520,700
<u>U.S. Department of Education:</u>				
Title I Grants to Local Education Agencies				
Pass-through from Arkansas Department of Education	84.010	Title I Grant	-	267,047
SPECIAL EDUCATION CLUSTER (IDEA)				
Special Education Grants to States				
Pass-through from Arkansas Department of Education	84.027	Special Education Grants (IDEA Part B)	-	239,851
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			-	239,851
Twenty-First Century Community Learning Centers				
Pass-through from Arkansas Department of Education	84.287	21st Century Learning	-	110,218
Rural Education				
Pass-through from Arkansas Department of Education	84.358	Rural Education	-	10,794
Supporting Effective Instruction State Grants				
Pass-through from Arkansas Department of Education	84.367	Improving Teacher Quality	-	12,521
Total U.S. Department of Education			-	640,431
Total Expenditures of Federal Awards			\$ -	\$ 1,161,131

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation - The above Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal grant activity of the Fountain Lake School District #18 (District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.

Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.

The District has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

During the year ended June 30, 2020, the District received Medicaid funding of \$176,549 from the Arkansas Department of Human Services. Such payments are not considered Federal Awards expended and therefore, are not included in the above schedule.



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

To the Board of Directors of
Fountain Lake School District #18

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 Fountain Lake School District #18 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 January 7, 2021. We 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) to determine the 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 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. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of 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 no instances of noncompliance 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 result 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.



Craft, Veach & Company, PLC
North Little Rock, Arkansas
January 7, 2021



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

To the Board of Directors of
Fountain Lake School District #18

Report on Compliance for Each Major Federal Program

We have audited the Fountain Lake School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations 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 consider necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

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 the 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, detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or 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 charges with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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



Craft, Veach & Company, PLC
North Little Rock, Arkansas
January 7, 2021



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Directors of
Fountain Lake School District #18

We have examined management's assertions that Fountain Lake School District #18 substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations designated by the Arkansas Department of Education for the year ended June 30, 2020.

- (a) Bidding & Purchasing Commodities (Arkansas Statutes 6-21-301 – 6-21-305)
- (b) Ethical Guidelines and Prohibitions (Arkansas Statutes 6-13-628; 6-24-01 et seq.);
- (c) Collateralization & Investments of Funds (Arkansas Statutes 6-20-222; 19-1-504);
- (d) Deposit of Funds (Arkansas Statutes 19-8-104; 19-8-106)
- (e) District Finances (Arkansas Statute 6-20-402);
 - Bonded & Non-bonded Debt, School Bonds (Arkansas Statutes 6-20-1201 - 6-20-1208; 6-20-1210)
 - Petty Cash (Arkansas Statute 6-20-409);
 - Changes in Pullback (no deferrals - declining accrual percentages) (Arkansas Statute 6-20-401)
 - Investment of Funds (Arkansas Statute 19-1-504)
- (f) Management of Schools
 - Board of Directors (Arkansas Statutes 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 (Arkansas Statute 6-13-701);
 - Warrants/Checks (Arkansas Statutes 6-17-918; 6-17-919; 6-20-403);
- (g) Management Letter for Audit (Arkansas Statutes 14-75-101—14-75-104);
- (h) Nonrecurring Salary Payments (Arkansas Statute 6-20-412);
- (i) Revolving Loan Fund (Arkansas Statutes 6-19-114; 6-20-801 et seq.);
- (j) Salary Laws Classified (Arkansas Statutes 6-17-2201 et seq.; 6-17-2301 et seq.);
- (k) Salary increases 5% or more (Certified & Classified) (Arkansas Statutes 6-13-635);
- (l) School Elections (Arkansas Statutes 6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118);
- (m) Teachers and Employees
 - Personnel Policies (Arkansas Statutes 6-17-201 et seq., 6-17-2301);
 - Employment and Assignment (Arkansas Statutes 6-17-301 et seq.);
 - Teacher's License Requirement (Arkansas Statutes 6-17-401 et seq.);
 - Contracts (Arkansas Statutes 6-17-801 et seq.);
 - Certification Requirements (Arkansas Statutes 6-17-309; 6-17-401);
 - Fair Dismissal Act (Arkansas Statutes 6-17-1501 et seq.; 6-17-1701 et seq.);
 - Sick Leave Policies (Arkansas Statutes 6-17-1201 et seq.; 6-17-1301 et seq.);
- (n) Teacher Salaries and Foundation Funding Aid (Arkansas Statutes 6-17-803; 6-17-907; 6-17-908; 6-17-911 - 6-17-913; 6-17-918; 6-17-919);
- (o) Trust Funds (Education Excellence) (Arkansas Statutes 6-5-307);
- (p) Use of Contractors, Improvement Contracts (Arkansas Statutes 22-9-201—22-9-205);
- (q) Use of DM&O Millage (Arkansas Statutes 26-80-110); and
- (r) 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.

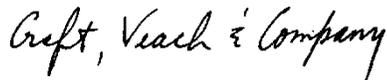
- (s) Regulatory Basis of Accounting (Arkansas Statute 10-4-413-c);
- (t) Real Estate and Personal Property Tax Appeals (Arkansas Statute 26-35-802);
- (u) Arkansas Procurement Law (Arkansas Statutes 19-11-201, et seq.);
- (v) Fiscal Accountability (Arkansas Statutes 6-20-1901, et seq.);
- (w) Enhanced Student Achievement Funding ESA (Arkansas Statute 6-20-2305(B)(4)(F)(I)); and
- (x) Limitation on Fund Balances (Arkansas Statute 6-20-2210).

Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on 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 and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Fountain Lake School District #18 complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2020.

This report is intended solely for the information and use of the governing body, 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.



Craft, Veach & Company, PLC
North Little Rock, Arkansas
January 7, 2021

SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

The opinion expressed in the independent auditor's report for GAAP basis of reporting was: Adverse

The opinion expressed in the independent auditor's report for Regulatory basis opinion units was: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified not considered to be a material weakness(es)? ___ Yes X No

Noncompliance material to financial statements noted? ___ Yes X No

FEDERAL AWARDS

Internal control over major programs:

Material weakness(es) identified? ___ Yes X No

Significant deficiency(ies) identified not considered to be a material weakness(es)? ___ Yes X No

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ___ Yes X No

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Child Nutrition Cluster:	
School Breakfast Program (SBP)	10.553
Food Distribution – Non Cash	10.555
Food Distribution – Cash	10.555
Performance Based Reimbursement	10.555
National School Lunch Program (NSLP)	10.555

Type of auditor's report issued on compliance for major programs: Unmodified

Dollar threshold used to distinguish between Type A and Type B programs? \$750,000

Organization qualified as a low-risk auditee? ___ Yes X No

Financial Statement Findings:

**Reference
Number**

Finding

None

Federal Award Findings and Questioned Costs:

**Reference
Number**

Finding

None

Financial Statement Findings:

**Reference
Number**

Finding

No matters are reportable.

Federal Award Findings and Questioned Costs:

**Reference
Number**

Finding

No matters are reportable.

Name and Address:	Fountain Lake School District #18 4207 Park Avenue Hot Springs, AR 71901
Employer Identification Number:	71-0475989
Telephone Number:	(501) 701-1700
Fax Number:	(501) 623-6447
Director:	Dr. Michael Murphy
Contact Person:	Ms. Tanya Bowen