

Mineral Springs School District No. 3

Howard County, Arkansas

Regulatory Basis Financial Statements And Other Reports

June 30, 2020



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HOWARD 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

Mineral Springs School District No. 3 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 Mineral Springs School District No. 3 (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 7, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe 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 7, 2021
EDSD16520

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

Mineral Springs School District No. 3 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 Mineral Springs School District No. 3 (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 7, 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 consider 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 there is a reasonable possibility that a material misstatement of the District's regulatory basis financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated April 7, 2021.

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

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

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

Little Rock, Arkansas
April 7, 2021

Arkansas



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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Mineral Springs School District No. 3 and School Board Members
Legislative Joint Auditing Committee

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

1. The District used \$709 in operating funds for nonbusiness purchases, in conflict with Ark. Const. art. 14, § 2, as interpreted in Op. Att'y Gen. no. 91-411:
 - \$459 Christmas party.
 - \$250 for class reunions.
2. The District paid a Board member's son \$2,245 for performing summer work. Although meeting minutes indicate the Board approved this transaction, a written resolution was not adopted, as required by Ark. Code Ann. § 6-24-105.

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

ARKANSAS LEGISLATIVE AUDIT

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

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

Little Rock, Arkansas
April 7, 2021

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 755,868		\$ 1,515,288	\$ 25,054
Investments	1,426,243		921,419	
Accounts receivable	1,053	\$ 74,696		
Due from other funds	48,674			
Deposit with paying agent			3,011	
TOTAL ASSETS	\$ 2,231,838	\$ 74,696	\$ 2,439,718	\$ 25,054
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 18,912	\$ 7,738		
Due student groups				\$ 23,804
Due to other funds		48,674		
Total Liabilities	18,912	56,412		23,804
Fund Balances:				
Nonspendable			\$ 3,011	
Restricted	210,474	26,023		1,250
Assigned	59,276		2,436,707	
Unassigned	1,943,176	(7,739)		
Total Fund Balances	2,212,926	18,284	2,439,718	1,250
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,231,838	\$ 74,696	\$ 2,439,718	\$ 25,054

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

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD 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)	\$ 6,239,722		
State assistance	878,626	\$ 1,921	
Federal assistance		642,103	
Activity revenues	56,008		
Meal sales		42,345	
Investment income	30,995		\$ 962
Other revenues	182,138		
TOTAL REVENUES	7,387,489	686,369	962
EXPENDITURES			
Regular programs	2,768,780	5,188	
Special education	314,104	61,403	
Career education programs	167,786		
Compensatory education programs	113,053	87,741	
Other instructional programs	44,462		
Student support services	190,665	1,534	
Instructional staff support services	168,073	95,334	
General administration support services	492,256	77,027	
School administration support services	288,230		
Central services support services	443,768		
Operation and maintenance of plant services	897,131		2,542
Student transportation services	282,227	463	
Other support services	4,839		
Food services operations		436,618	
Non-programmed costs		12,000	
Activity expenditures	43,206		
Debt Service:			
Principal retirement	116,627		540,000
Interest and fiscal charges	9,938		630,995
TOTAL EXPENDITURES	6,345,145	777,308	1,173,537
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,042,344	(90,939)	(1,172,575)
OTHER FINANCING SOURCES (USES)			
Transfers in		98,498	1,174,006
Transfers out	(1,272,504)		
TOTAL OTHER FINANCING SOURCES (USES)	(1,272,504)	98,498	1,174,006
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(230,160)	7,559	1,431
FUND BALANCES - JULY 1	2,443,086	10,725	2,438,287
FUND BALANCES - JUNE 30	\$ 2,212,926	\$ 18,284	\$ 2,439,718

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

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD 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)	\$ 6,252,459	\$ 6,239,722	\$ (12,737)			
State assistance	597,624	878,626	281,002	\$ 1,800	\$ 1,921	\$ 121
Federal assistance				672,035	642,103	(29,932)
Activity revenues		56,008	56,008			
Meal sales				57,000	42,345	(14,655)
Investment income	31,820	30,995	(825)			
Other revenues	184,353	182,138	(2,215)			
TOTAL REVENUES	7,066,256	7,387,489	321,233	730,835	686,369	(44,466)
EXPENDITURES						
Regular programs	2,825,491	2,768,780	56,711		5,188	(5,188)
Special education	321,101	314,104	6,997	67,945	61,403	6,542
Career education programs	202,010	167,786	34,224	78,927		78,927
Compensatory education programs	88,089	113,053	(24,964)		87,741	(87,741)
Other instructional programs	39,520	44,462	(4,942)			
Student support services	191,503	190,665	838	30,282	1,534	28,748
Instructional staff support services	176,147	168,073	8,074	85,895	95,334	(9,439)
General administration support services	392,907	492,256	(99,349)	74,740	77,027	(2,287)
School administration support services	274,492	288,230	(13,738)			
Central services support services	586,721	443,768	142,953			
Operation and maintenance of plant services	767,876	897,131	(129,255)			
Student transportation services	344,419	282,227	62,192	463	463	
Other support services	5,600	4,839	761			
Food services operations				434,943	436,618	(1,675)
Non-programmed costs				12,000	12,000	
Activity expenditures		43,206	(43,206)			
Debt Service:						
Principal retirement	6,200	116,627	(110,427)			
Interest and fiscal charges	1,075	9,938	(8,863)			
TOTAL EXPENDITURES	6,223,151	6,345,145	(121,994)	785,195	777,308	7,887

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD 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	\$ 843,105	\$ 1,042,344	\$ 199,239	\$ (54,360)	\$ (90,939)	\$ (36,579)
OTHER FINANCING SOURCES (USES)						
Transfers in	8,701,001		(8,701,001)	111,257	98,498	(12,759)
Transfers out	(9,964,273)	(1,272,504)	8,691,769	(12,614)		12,614
TOTAL OTHER FINANCING SOURCES (USES)	(1,263,272)	(1,272,504)	(9,232)	98,643	98,498	(145)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(420,167)	(230,160)	190,007	44,283	7,559	(36,724)
FUND BALANCES - JULY 1	2,499,048	2,443,086	(55,962)	4,142	10,725	6,583
FUND BALANCES - JUNE 30	\$ 2,078,881	\$ 2,212,926	\$ 134,045	\$ 48,425	\$ 18,284	\$ (30,141)

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

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Mineral Springs 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).

Private-purpose Trust Funds – Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

D. Revenue Recognition Policies

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
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.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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.

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. Nonspendable fund balance – represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. 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.
3. 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.
4. 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.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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	4,393,872	4,871,482
Total Deposits	\$ 4,643,872	\$ 5,121,482

The above total deposits include certificates of deposit of \$2,347,662 reported as investments and classified as nonparticipating contracts.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

3: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 1,053	
Federal assistance		\$ 74,696
Totals	<u>\$ 1,053</u>	<u>\$ 74,696</u>

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>					
4/15/13	6/1/33	1 - 2.75%	\$ 1,715,000	\$ 1,210,000	\$ 505,000
5/1/13	2/1/29	1 - 2.35%	435,000	275,000	160,000
12/6/16	6/1/47	3 - 3.5%	19,030,000	17,760,000	1,270,000
Total Bonds			<u>21,180,000</u>	<u>19,245,000</u>	<u>1,935,000</u>
<u>Direct Borrowings</u>					
6/20/12	11/1/21	4.95%	62,000	12,400	49,600
7/13/17	9/1/20	4.1%	271,035	143,093	127,942
4/1/19	7/1/21	2.9%	205,962	136,315	69,647
Total Direct Borrowings			<u>538,997</u>	<u>291,808</u>	<u>247,189</u>
Total Long-Term Debt			<u>\$ 21,718,997</u>	<u>\$ 19,536,808</u>	<u>\$ 2,182,189</u>

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

Long-term Debt Issued and Outstanding (Continued)

Changes in Long-term Debt

	<u>Balance</u> <u>July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance</u> <u>June 30, 2020</u>
Bonds payable	\$ 19,785,000		\$ 540,000	\$ 19,245,000
<u>Direct Borrowings</u>				
Certificates of indebtedness	18,600		6,200	12,400
Capital lease	183,873		40,780	143,093
Installment contract	205,962		69,647	136,315
Total Direct Borrowings	<u>408,435</u>		<u>116,627</u>	<u>291,808</u>
Total Long-Term Debt	<u>\$ 20,193,435</u>	<u>\$ 0</u>	<u>\$ 656,627</u>	<u>\$ 19,536,808</u>

Future Principal and Interest Payments

<u>Year Ended</u> <u>June 30,</u>	<u>Bonds</u>			<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 550,000	\$ 614,029	\$ 1,164,029	\$ 216,476	\$ 10,391	\$ 226,867
2022	560,000	598,629	1,158,629	75,332	2,160	77,492
2023	575,000	582,929	1,157,929			
2024	580,000	566,784	1,146,784			
2025	600,000	550,233	1,150,233			
2026-2030	3,220,000	2,482,144	5,702,144			
2031-2035	3,355,000	1,992,550	5,347,550			
2036-2040	3,595,000	1,453,375	5,048,375			
2041-2044	4,275,000	797,006	5,072,006			
2045-2047	1,935,000	102,200	2,037,200			
Totals	<u>\$19,245,000</u>	<u>\$ 9,739,879</u>	<u>\$ 28,984,879</u>	<u>\$ 291,808</u>	<u>\$ 12,551</u>	<u>\$ 304,359</u>

Capital Lease

Capital assets acquired through a capital lease consisted of the following at June 30, 2020:

<u>Class of Property</u>	<u>Cost</u>	<u>Accumulated</u> <u>Depreciation</u>	<u>Net</u> <u>Value</u>
Vehicles	<u>\$ 271,035</u>	<u>\$ 95,992</u>	<u>\$ 175,043</u>

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

Long-term Debt Issued and Outstanding (Continued)

The present value of the net minimum lease payments is as follows at June 30, 2020:

Total Minimum Lease Payments	\$	149,069
Less: Amount Representing Interest		5,976
Total Present Value of Net Minimum Lease Payments	\$	143,093

5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 18,450	\$ 7,738
Payroll withholdings and matching	421	
Other	41	
Totals	\$ 18,912	\$ 7,738

6: INTERFUND TRANSFERS

The District transferred \$1,174,006 from the general fund to the other aggregate funds for debt related payments. Additionally, the District transferred \$98,498 from the general fund to the special revenue fund to supplement food service operations.

7: 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.artrs.gov.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

7: RETIREMENT PLAN (Continued)

Arkansas Teacher Retirement System (Continued)

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 \$578,749, 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 \$5,386,584.

8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS		
Donations	\$	1,000
CHANGE IN FUND BALANCE		1,000
FUND BALANCE - JULY 1		250
FUND BALANCE - JUNE 30	\$	1,250

9: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$7,739 in the special revenue fund, as displaying in the table at Note 13 below, pertains to the child nutrition program. The temporary deficit was caused by the recognition of minor accounts payable at year-end.

10: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$21,180,000 issued from April 15, 2013 to December 6, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$28,984,879, payable through June 1, 2047. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,169,129 and \$1,651,691, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 70.78 percent.

11: 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 school board liability and student accidents.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

11: RISK MANAGEMENT (Continued)

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, vehicles and mobile equipment.

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.

12: 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 \$130,956 for the year ended June 30, 2020.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Nonspendable:			
Deposit with paying agent			\$ 3,011
Restricted for:			
Alternative learning environment	\$ 2,188		
Enhanced student achievement funding	88,217		
English-language learners	10,297		
Professional development	34,536		
Medical services		\$ 26,023	
Special education programs	25,464		
Other purposes	49,772		
Total Restricted	<u>210,474</u>	<u>26,023</u>	
Assigned to:			
Capital projects			2,436,707
Student activities	59,276		
Total Assigned	<u>59,276</u>		<u>2,436,707</u>
Unassigned	<u>1,943,176</u>	<u>(7,739)</u>	
Totals	<u>\$2,212,926</u>	<u>\$ 18,284</u>	<u>\$2,439,718</u>

14: 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.

15: SUBSEQUENT EVENTS

On December 15, 2020, the District issued \$1,260,000 in refunding bonds to refund the bonds dated April 15, 2013.

On March 24, 2021, the District issued \$18,625,000 in refunding bonds to refund the bonds dated December 6, 2016.

16: SETTLEMENT AGREEMENT

On June 28, 2020, the District's Board of Education executed a Settlement Agreement, Covenant Not to Sue and Release, with Superintendent Thelma Forte. In accordance with the agreement, the Superintendent voluntarily resigned from the District effective June 30, 2020, and the District paid the Superintendent \$103,000 as the Gross Settlement Amount. All amounts were paid by June 30, 2020.

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Schedule 1

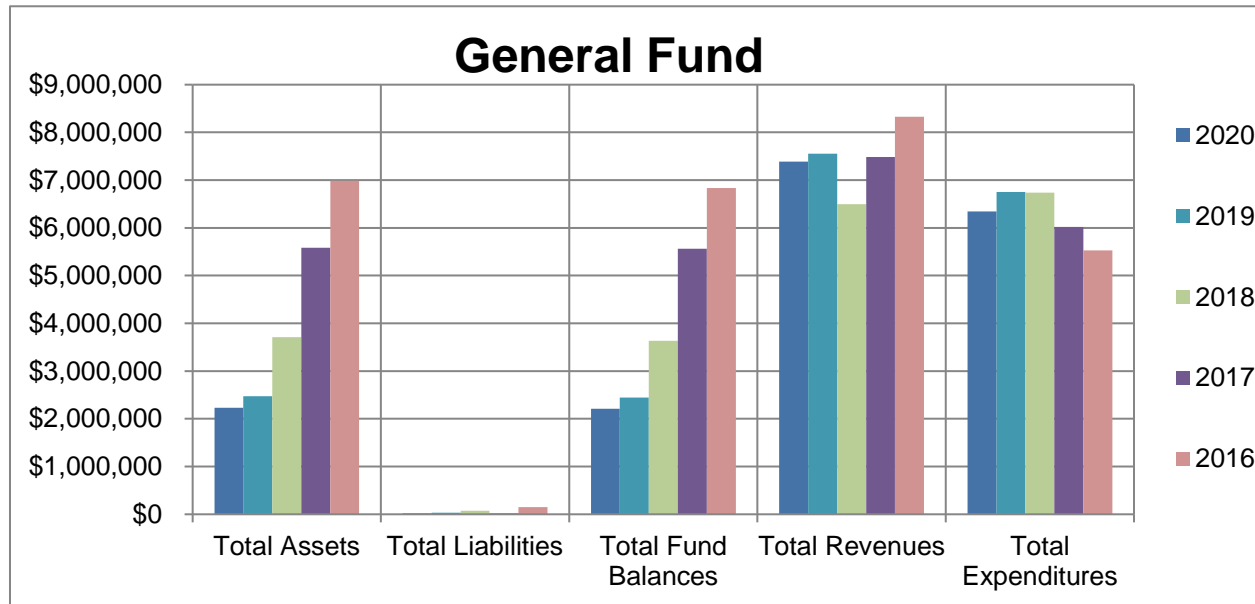
	Balance June 30, 2020
Nondepreciable capital assets:	
Land	\$ 391,969
Depreciable capital assets:	
Buildings	24,241,636
Improvements/infrastructure	2,222,959
Equipment	2,566,882
Total depreciable capital assets	29,031,477
Less accumulated depreciation for:	
Buildings	4,067,815
Improvements/infrastructure	887,950
Equipment	1,531,310
Total accumulated depreciation	6,487,075
Total depreciable capital assets, net	22,544,402
Capital assets, net	\$ 22,936,371

MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS

Schedule 2

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

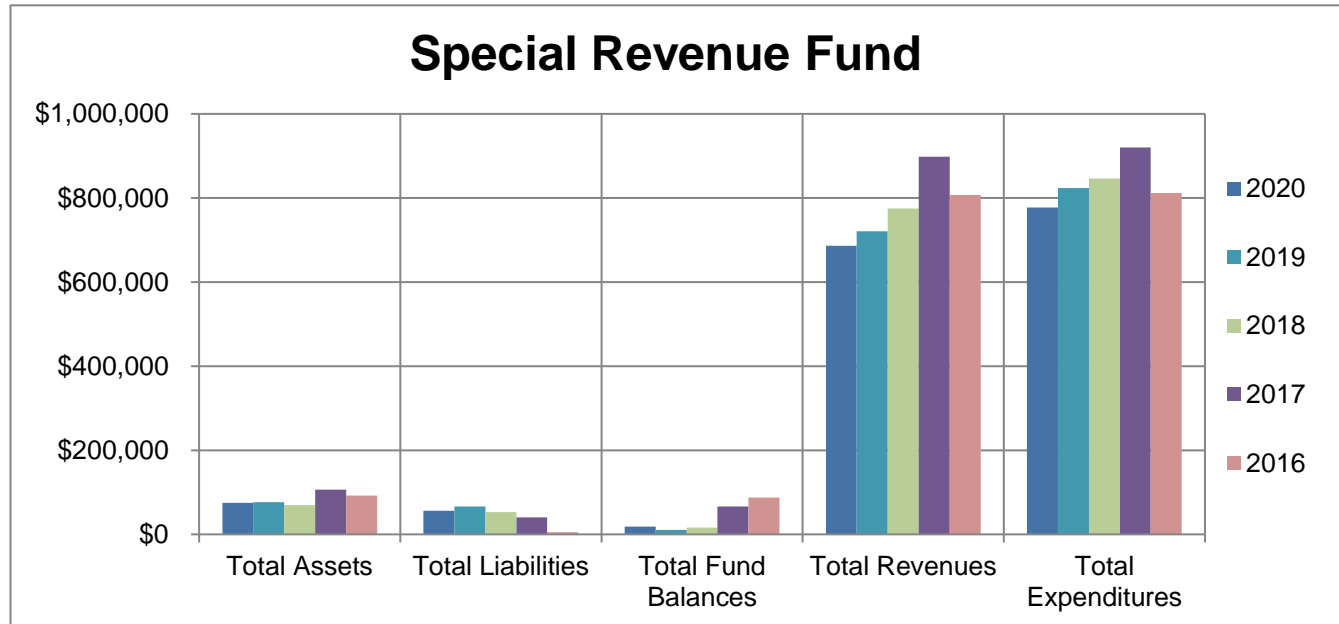
General Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 2,231,838	\$ 2,476,192	\$ 3,708,084	\$ 5,584,992	\$ 6,986,933
Total Liabilities	18,912	33,106	76,042	22,376	148,806
Total Fund Balances	2,212,926	2,443,086	3,632,042	5,562,616	6,838,127
Total Revenues	7,387,489	7,553,614	6,494,706	7,482,423	8,330,003
Total Expenditures	6,345,145	6,754,487	6,738,021	6,016,807	5,528,537
Total Other Financing Sources (Uses)	(1,272,504)	(1,988,083)	(1,687,259)	(2,741,127)	(1,237,371)



MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 74,696	\$ 76,806	\$ 69,559	\$ 106,187	\$ 92,551
Total Liabilities	56,412	66,081	53,267	40,024	5,045
Total Fund Balances	18,284	10,725	16,292	66,163	87,506
Total Revenues	686,369	720,857	775,247	898,477	807,095
Total Expenditures	777,308	823,269	846,032	919,820	811,882
Total Other Financing Sources (Uses)	98,498	96,845	20,914		



MINERAL SPRINGS SCHOOL DISTRICT NO. 3
HOWARD COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 2,439,718	\$ 2,438,287	\$ 8,258,566	\$ 19,557,260	\$ 945,806
Total Liabilities			723,290	801,500	98,181
Total Fund Balances	2,439,718	2,438,287	7,535,276	18,755,760	847,625
Total Revenues	962	13,761	82,159	55,834	
Total Expenditures	1,173,537	7,207,950	13,311,378	2,857,799	744,438
Total Other Financing Sources (Uses)	1,174,006	2,097,200	2,008,735	20,710,100	1,227,308

