

# **Carlisle School District No. 3**

**Lonoke County, Arkansas**

## **Regulatory Basis Financial Statements And Other Reports**

**June 30, 2020**



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LONOKE 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

Carlisle 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 Carlisle 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 21, 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 21, 2021  
EDSD22920

# 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

Carlisle 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 Carlisle 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 21, 2021. We have issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

#### **Internal Control Over Financial Reporting**

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

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

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## AUDIT FINDINGS

### Material Weakness

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

Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. The financial accounting duties were not adequately segregated among employees. Specifically, certain key weaknesses included the following: payroll checks were prepared by the same employee responsible for making changes to the payroll amounts, without compensating controls.

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

Management Response: Concerning the finding of segregation of duties that involves our payroll management, we will now have another employee in our office release the direct deposits for payroll.

### **District's Response to Findings**

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

### **Purpose of this Report**

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

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
April 21, 2021

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
<b>ASSETS</b>				
Cash	\$ 421,028	\$ 28,024	\$ 3,202,940	\$ 119,938
Investments	1,017,315			
Accounts receivable	49	99,470		
<b>TOTAL ASSETS</b>	<u>\$ 1,438,392</u>	<u>\$ 127,494</u>	<u>\$ 3,202,940</u>	<u>\$ 119,938</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 53,506	\$ 55,865	\$ 42,989	\$ 375
Due student groups				112,195
<b>Total Liabilities</b>	<u>53,506</u>	<u>55,865</u>	<u>42,989</u>	<u>112,570</u>
<b>Fund Balances:</b>				
Restricted	17,873	71,639	3,872	7,368
Assigned	121,037		3,156,079	
Unassigned	1,245,976	(10)		
<b>Total Fund Balances</b>	<u>1,384,886</u>	<u>71,629</u>	<u>3,159,951</u>	<u>7,368</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,438,392</u>	<u>\$ 127,494</u>	<u>\$ 3,202,940</u>	<u>\$ 119,938</u>

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

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE 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	
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 2,973,787		
State assistance	3,157,655	\$ 2,706	
Federal assistance		738,254	
Activity revenues	191,009		
Meal sales		47,711	
Investment income	47,674		
Other revenues	124,726		
<b>TOTAL REVENUES</b>	<b>6,494,851</b>	<b>788,671</b>	
<b>EXPENDITURES</b>			
Regular programs	2,829,059	21,147	\$ 8,066
Special education	218,520	89,733	
Career education programs	134,517		
Compensatory education programs	120,308	113,393	
Other instructional programs	63,107		
Student support services	250,099	27,992	
Instructional staff support services	373,341	125,106	50,891
General administration support services	218,374	6,528	
School administration support services	320,381		
Central services support services	117,109	3,998	
Operation and maintenance of plant services	696,443	21,410	75,000
Student transportation services	179,247		104,028
Other support services	7,455		
Food services operations		350,992	
Community services operations		1,881	
Activity expenditures	161,727		
Debt Service:			
Principal retirement	40,167		345,000
Interest and fiscal charges	3,833		229,972
Net debt issuance costs			158,870
<b>TOTAL EXPENDITURES</b>	<b>5,733,687</b>	<b>762,180</b>	<b>971,827</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>761,164</b>	<b>26,491</b>	<b>(971,827)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in		19,076	632,452
Transfers out	(651,528)		
Proceeds from refunding bond issue			8,235,000
Payment to refunding bond escrow agent			(8,075,450)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(651,528)</b>	<b>19,076</b>	<b>792,002</b>



CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE 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		
	General	Special Revenue	Other Aggregate
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 109,636	\$ 45,567	\$ (179,825)
FUND BALANCES - JULY 1	1,275,250	26,062	3,339,776
FUND BALANCES - JUNE 30	\$ 1,384,886	\$ 71,629	\$ 3,159,951

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

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE 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)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 2,869,673	\$ 2,973,787	\$ 104,114			
State assistance	3,262,287	3,157,655	(104,632)	\$ 2,700	\$ 2,706	\$ 6
Federal assistance				756,331	738,254	(18,077)
Activity revenues	114,410	191,009	76,599			
Meal sales				48,650	47,711	(939)
Investment income	10,100	47,674	37,574			
Other revenues	137,350	124,726	(12,624)			
<b>TOTAL REVENUES</b>	<b>6,393,820</b>	<b>6,494,851</b>	<b>101,031</b>	<b>807,681</b>	<b>788,671</b>	<b>(19,010)</b>
<b>EXPENDITURES</b>						
Regular programs	3,211,292	2,829,059	382,233	18,437	21,147	(2,710)
Special education	279,841	218,520	61,321	85,486	89,733	(4,247)
Career education programs	144,128	134,517	9,611			
Compensatory education programs	128,847	120,308	8,539	148,827	113,393	35,434
Other instructional programs	76,813	63,107	13,706			
Student support services	283,184	250,099	33,085	107,041	27,992	79,049
Instructional staff support services	464,120	373,341	90,779	163,492	125,106	38,386
General administration support services	199,676	218,374	(18,698)	3,054	6,528	(3,474)
School administration support services	351,470	320,381	31,089			
Central services support services	140,459	117,109	23,350	5,465	3,998	1,467
Operation and maintenance of plant services	954,910	696,443	258,467		21,410	(21,410)
Student transportation services	233,855	179,247	54,608			
Other support services	13,000	7,455	5,545			
Food services operations				363,963	350,992	12,971
Community services operations				4,000	1,881	2,119
Activity expenditures		161,727	(161,727)			
Debt Service:						
Principal retirement	42,135	40,167	1,968			
Interest and fiscal charges	2,511	3,833	(1,322)			
<b>TOTAL EXPENDITURES</b>	<b>6,526,241</b>	<b>5,733,687</b>	<b>792,554</b>	<b>899,765</b>	<b>762,180</b>	<b>137,585</b>

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE 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	\$ (132,421)	\$ 761,164	\$ 893,585	\$ (92,084)	\$ 26,491	\$ 118,575
OTHER FINANCING SOURCES (USES)						
Transfers in	8,783,565		(8,783,565)	53,004	19,076	(33,928)
Transfers out	(8,645,990)	(651,528)	7,994,462	(16,748)		16,748
TOTAL OTHER FINANCING SOURCES (USES)	137,575	(651,528)	(789,103)	36,256	19,076	(17,180)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,154	109,636	104,482	(55,828)	45,567	101,395
FUND BALANCES - JULY 1	1,558,280	1,275,250	(283,030)	56,413	26,062	(30,351)
FUND BALANCES - JUNE 30	<u>\$ 1,563,434</u>	<u>\$ 1,384,886</u>	<u>\$ (178,548)</u>	<u>\$ 585</u>	<u>\$ 71,629</u>	<u>\$ 71,044</u>

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

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE 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 Carlisle 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.

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE 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:

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

F. Property Taxes

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

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

F. Property Taxes (Continued)

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

Amendment no. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Fund Balance Classifications

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

H. 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.

I. 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.

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

J. Minimum Fund Balance Policies

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

K. 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.

L. 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)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	4,289,245	4,378,294
Total Deposits	\$ 4,789,245	\$ 4,878,294

The above total deposits include certificates of deposit of \$1,017,315 reported as investments and classified as nonparticipating contracts.

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE 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	Special Revenue
General		
Federal assistance		\$ 99,223
Meal sales		247
Other	\$ 49	
<b>Totals</b>	<b>\$ 49</b>	<b>\$ 99,470</b>

**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
<b>Bonds</b>					
12/1/15	2/1/28	1 - 2.35%	\$ 3,050,000	\$ 2,045,000	\$ 1,005,000
6/25/20	2/1/37	.75 - 1.625%	8,235,000	8,235,000	
Total Bonds			<u>11,285,000</u>	<u>10,280,000</u>	<u>1,005,000</u>
<b>Direct Borrowings</b>					
1/12/17	12/30/21	2.99%	201,350	83,625	117,725
Total Long-Term Debt			<u>\$ 11,486,350</u>	<u>\$ 10,363,625</u>	<u>\$ 1,122,725</u>

Changes in Long-term Debt

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
Bonds payable	\$ 10,370,000	\$ 8,235,000	\$ 8,325,000 *	\$ 10,280,000
<b>Direct Borrowings</b>				
Installment contract	<u>123,792</u>		<u>40,167</u>	<u>83,625</u>
<b>Total Long-Term Debt</b>	<u>\$ 10,493,792</u>	<u>\$ 8,235,000</u>	<u>\$ 8,365,167</u>	<u>\$ 10,363,625</u>

\* Includes \$7,980,000 early retirement of debt – See Note 6.



CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**4: COMMITMENTS (Continued)**

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 245,000	\$ 103,552	\$ 348,552	\$ 41,490	\$ 2,511	\$ 44,001
2022	240,000	143,015	383,015	42,135	1,036	43,171
2023	520,000	139,415	659,415			
2024	595,000	133,140	728,140			
2025	1,410,000	125,880	1,535,880			
2026-2030	2,405,000	493,466	2,898,466			
2031-2035	3,430,000	269,104	3,699,104			
2036-2037	1,435,000	35,100	1,470,100			
Totals	<u>\$ 10,280,000</u>	<u>\$ 1,442,672</u>	<u>\$ 11,722,672</u>	<u>\$ 83,625</u>	<u>\$ 3,547</u>	<u>\$ 87,172</u>

Security for Debt Payments

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

**5: ACCOUNTS PAYABLE**

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

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	<u>\$ 53,506</u>	<u>\$ 55,865</u>	<u>\$ 42,989</u>	<u>\$ 375</u>

**6: DEBT REFUNDING**

On June 25, 2020, the District issued refunding bonds of \$8,235,000 with interest rates of .75 to 1.625 percent to refund \$7,980,000 of outstanding bonds dated May 4, 2016. The interest rates of the bonds refunded were 1 to 3 percent. Net bond proceeds of \$8,075,450 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on July 27, 2020. The remaining proceeds of \$680 (after payment of \$158,870 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$691,712 to the District over the life of the bonds.

The outstanding principal of the bonds refunded was \$7,980,000 at June 30, 2020. U.S. Government securities of \$8,069,874, purchased by the escrow agent, were pledged for the retirement of these bonds.

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**7: INTERFUND TRANSFERS**

The District transferred \$19,076 from the general fund to the special revenue fund to supplement its food service operations. The District transferred \$632,452 from the general fund to the other aggregate funds for debt related payments of \$76,194 and future capital projects of \$556,258. Additionally, the District transferred \$499,993, previously assigned for capital projects, from the capital projects fund to the debt service fund for debt related payments. This transfer was eliminated for reporting purposes because these funds are both included within the other aggregate funds.

**8: RETIREMENT PLAN**

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.25% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2020 were \$526,477, 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 \$5,015,314.

**9: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS**

ADDITIONS	
Donations	\$ 1,100
DEDUCTIONS	
Scholarships	4,435
CHANGE IN FUND BALANCE	(3,335)
FUND BALANCE - JULY 1	10,703
FUND BALANCE - JUNE 30	\$ 7,368

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**10: DEFICIT FUND BALANCE**

The deficit unassigned fund balance of \$10 in the special revenue fund, as displayed in note 14, is due to the recognition of minor accounts payable in the Supporting Effective Instruction State Grants federal program.

**11: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$11,285,000 issued from December 1, 2015 to June 25, 2020. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$11,722,672, payable through February 1, 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$573,589 and \$1,203,676, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 47.65 percent.

**12: 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 student accident coverage and for board and employee 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 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.

**13: 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 \$100,327 for the year ended June 30, 2020.

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**14: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE**

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 1,400		
English-language learners	688		
Capital projects			\$ 3,192
Child nutrition programs		\$ 8,604	
Debt service			680
Medical services		62,449	
Special education programs	1,288		
Other purposes	14,497	586	
Total Restricted	<u>17,873</u>	<u>71,639</u>	<u>3,872</u>
Assigned to:			
Capital projects			3,154,864
Debt service			1,215
Student activities	121,037		
Total Assigned	<u>121,037</u>		<u>3,156,079</u>
Unassigned	1,245,976	(10)	
Totals	<u>\$ 1,384,886</u>	<u>\$ 71,629</u>	<u>\$ 3,159,951</u>

**15: 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.

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

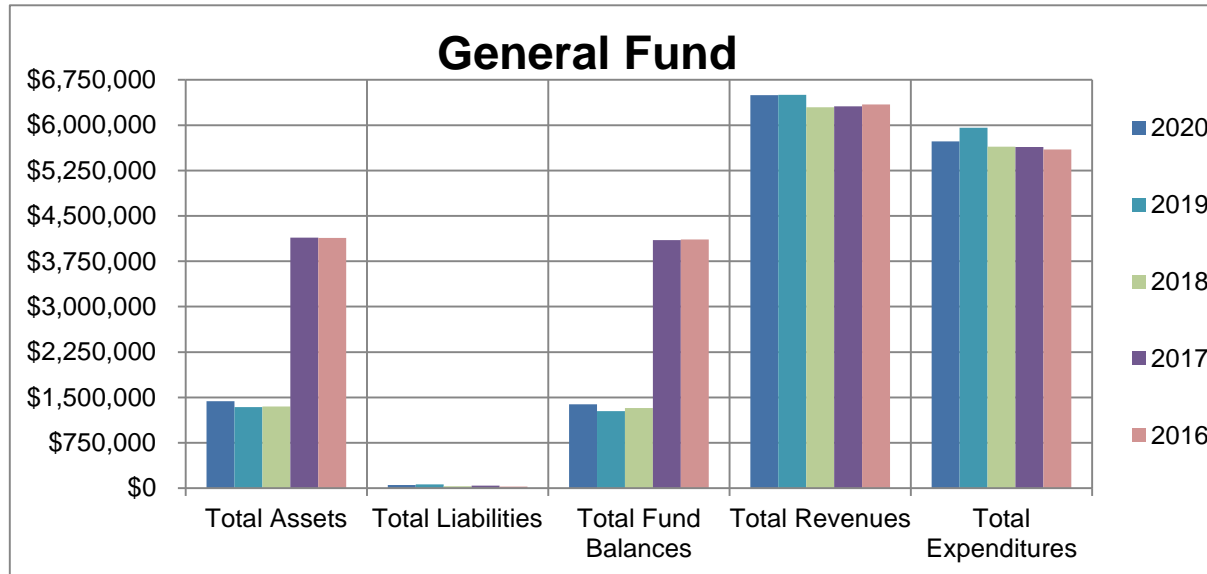
Schedule 1

	Balance June 30, 2020
Nondepreciable capital assets:	
Land	\$ 442,010
Depreciable capital assets:	
Buildings	17,978,678
Improvements/infrastructure	1,882,252
Equipment	1,447,051
Total depreciable capital assets	21,307,981
Less accumulated depreciation for:	
Buildings	5,073,821
Improvements/infrastructure	1,019,957
Equipment	974,552
Total accumulated depreciation	7,068,330
Total depreciable capital assets, net	14,239,651
Capital assets, net	\$ 14,681,661

CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

Schedule 2

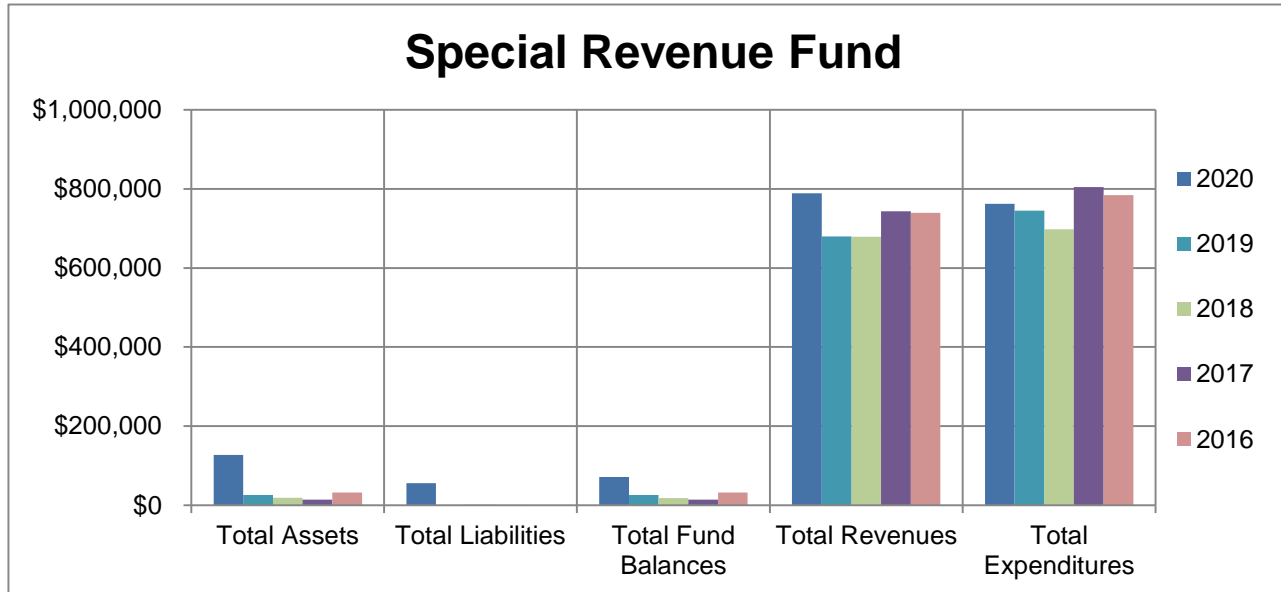
<b>General Fund</b>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 1,438,392	\$ 1,339,352	\$ 1,351,505	\$ 4,140,127	\$ 4,134,228
Total Liabilities	53,506	64,102	28,769	39,169	26,560
Total Fund Balances	1,384,886	1,275,250	1,322,736	4,100,958	4,107,668
Total Revenues	6,494,851	6,500,264	6,297,818	6,311,950	6,341,964
Total Expenditures	5,733,687	5,958,165	5,645,265	5,641,577	5,598,535
Total Other Financing Sources (Uses)	(651,528)	(589,585)	(3,430,775)	(677,083)	(804,484)



CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

Schedule 2

<b><u>Special Revenue Fund</u></b>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 127,494	\$ 26,112	\$ 19,063	\$ 14,311	\$ 32,329
Total Liabilities	55,865	50	1,293	21	
Total Fund Balances	71,629	26,062	17,770	14,290	32,329
Total Revenues	788,671	679,882	679,165	743,049	739,518
Total Expenditures	762,180	744,622	698,164	804,220	784,459
Total Other Financing Sources (Uses)	19,076	73,032	22,479	43,132	24,700



CARLISLE SCHOOL DISTRICT NO. 3  
LONOKE COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

Schedule 2

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 3,202,940	\$ 3,339,776	\$ 3,566,934	\$ 866,819	\$ 581,362
Total Liabilities	42,989				
Total Fund Balances	3,159,951	3,339,776	3,566,934	866,819	581,362
Total Revenues				200	
Total Expenditures	971,827	743,711	708,181	550,044	627,724
Total Other Financing Sources (Uses)	792,002	516,553	3,408,296	835,301	789,099

