

Lonoke School District No. 1

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
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House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Lonoke School District No. 1 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 Lonoke School District No. 1 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements 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 *Governmental 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

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the Schedule of Capital Assets, and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The Schedule of Capital Assets 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 January 26, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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
January 26, 2021
EDSD23220

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

Lonoke School District No. 1 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 Lonoke School District No. 1 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated January 26, 2021. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) 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 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 and federal 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*.

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 black ink that reads "Roger A. Norman". The signature is written in a cursive style with a large initial 'R'.

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

Little Rock, Arkansas
January 26, 2021

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Lonoke School District No. 1 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Lonoke School District No. 1's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
January 26, 2021

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 1,500,150	\$ 220,937	\$ 17,523,312	\$ 108,069
Investments	15,000			81,288
Accounts receivable	3,883	202,459	1,650	
TOTAL ASSETS	<u>\$ 1,519,033</u>	<u>\$ 423,396</u>	<u>\$ 17,524,962</u>	<u>\$ 189,357</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 46,383	\$ 15,784		\$ 900
Due student groups				100,869
Advance deposit on bond issue			\$ 104,500	
Total Liabilities	<u>46,383</u>	<u>15,784</u>	<u>104,500</u>	<u>101,769</u>
Fund Balances:				
Nonspendable				75,000
Restricted	61,503	408,472	11,864,730	12,588
Assigned	261,521		5,555,732	
Unassigned	1,149,626	(860)		
Total Fund Balances	<u>1,472,650</u>	<u>407,612</u>	<u>17,420,462</u>	<u>87,588</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,519,033</u>	<u>\$ 423,396</u>	<u>\$ 17,524,962</u>	<u>\$ 189,357</u>

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

LONOKE SCHOOL DISTRICT NO. 1
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	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 3,347,584		\$ 2,424,112
State assistance	10,541,265	\$ 5,862	
Federal assistance		2,102,577	
Activity revenues	209,980		
Meal sales		116,514	
Investment income	205,907		32,959
Other revenues	148,501		100,081
TOTAL REVENUES	14,453,237	2,224,953	2,557,152
EXPENDITURES			
Regular programs	5,679,745	14,963	37,002
Special education	718,678	267,579	
Career education programs	353,541		
Adult/continuing education program	366,949	51,111	
Compensatory education programs	197,219	380,338	
Other instructional programs	755,080	53,776	38,698
Student support services	750,638	111,411	
Instructional staff support services	796,469	262,424	
General administration support services	370,759	104,557	7,919
School administration support services	901,173		
Central services support services	448,709	3,269	7,598
Operation and maintenance of plant services	1,787,559	25,942	54,802
Student transportation services	925,070	37,388	
Other support services	30,854	15,956	
Food services operations		804,245	
Community services operations		110	
Facilities acquisition and construction services	15,195		424,265
Non-programmed costs	4,302		
Activity expenditures	156,178		
Debt Service:			
Principal retirement			980,000
Interest and fiscal charges			576,493
Net debt issuance costs			691,897
TOTAL EXPENDITURES	14,258,118	2,133,069	2,818,674
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	195,119	91,884	(261,522)
OTHER FINANCING SOURCES (USES)			
Transfers in			234,404
Transfers out	(234,404)		
Refund to grantor	(434)		
Proceeds from refunding bond issue			5,505,000
Payment to refunding bond escrow agents			(17,165,424)
Proceeds from refunding and construction bond issue			24,410,000
TOTAL OTHER FINANCING SOURCES (USES)	(234,838)		12,983,980

LONOKE SCHOOL DISTRICT NO. 1
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	\$ (39,719)	\$ 91,884	\$ 12,722,458
FUND BALANCES - JULY 1	1,512,369	315,728	4,698,004
FUND BALANCES - JUNE 30	\$ 1,472,650	\$ 407,612	\$ 17,420,462

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

LONOKE SCHOOL DISTRICT NO. 1
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)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 3,276,871	\$ 3,347,584	\$ 70,713			
State assistance	10,110,115	10,541,265	431,150		\$ 5,862	\$ 5,862
Federal assistance				\$ 2,079,073	2,102,577	23,504
Activity revenues		209,980	209,980			
Meal sales				160,500	116,514	(43,986)
Investment income	80,000	205,907	125,907			
Other revenues	209,664	148,501	(61,163)	29,728		(29,728)
TOTAL REVENUES	13,676,650	14,453,237	776,587	2,269,301	2,224,953	(44,348)
EXPENDITURES						
Regular programs	6,211,525	5,679,745	531,780	29,728	14,963	14,765
Special education	693,172	718,678	(25,506)	281,546	267,579	13,967
Career education programs	365,243	353,541	11,702			
Adult/continuing education program	387,914	366,949	20,965	55,511	51,111	4,400
Compensatory education programs	207,739	197,219	10,520	378,174	380,338	(2,164)
Other instructional programs	773,018	755,080	17,938	56,418	53,776	2,642
Student support services	723,692	750,638	(26,946)	185,404	111,411	73,993
Instructional staff support services	773,611	796,469	(22,858)	434,144	262,424	171,720
General administration support services	560,149	370,759	189,390	103,269	104,557	(1,288)
School administration support services	911,345	901,173	10,172			
Central services support services	524,601	448,709	75,892		3,269	(3,269)
Operation and maintenance of plant services	1,760,507	1,787,559	(27,052)		25,942	(25,942)
Student transportation services	765,616	925,070	(159,454)	41,717	37,388	4,329
Other support services	27,000	30,854	(3,854)		15,956	(15,956)
Food services operations				957,209	804,245	152,964
Community services operations				2,000	110	1,890
Facilities acquisition and construction services		15,195	(15,195)			
Non-programmed costs	4,896	4,302	594	32,422		32,422
Activity expenditures		156,178	(156,178)			
TOTAL EXPENDITURES	14,690,028	14,258,118	431,910	2,557,542	2,133,069	424,473

LONOKE SCHOOL DISTRICT NO. 1
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	\$ (1,013,378)	\$ 195,119	\$ 1,208,497	\$ (288,241)	\$ 91,884	\$ 380,125
OTHER FINANCING SOURCES (USES)						
Transfers in	19,768,822		(19,768,822)	91,634		(91,634)
Transfers out	(19,731,504)	(234,404)	19,497,100	(91,634)		91,634
Refund to grantor		(434)	(434)			
TOTAL OTHER FINANCING SOURCES (USES)	37,318	(234,838)	(272,156)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(976,060)	(39,719)	936,341	(288,241)	91,884	380,125
FUND BALANCES - JULY 1	1,704,073	1,512,369	(191,704)	303,250	315,728	12,478
FUND BALANCES - JUNE 30	<u>\$ 728,013</u>	<u>\$ 1,472,650</u>	<u>\$ 744,637</u>	<u>\$ 15,009</u>	<u>\$ 407,612</u>	<u>\$ 392,603</u>

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

LONOKE SCHOOL DISTRICT NO. 1
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 Lonoke 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.

LONOKE SCHOOL DISTRICT NO. 1
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.

LONOKE SCHOOL DISTRICT NO. 1
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. 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.

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.

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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)	\$ 346,288	\$ 346,288
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	19,102,468	19,267,864
Total Deposits	\$ 19,448,756	\$ 19,614,152

The above total deposits include certificates of deposit of \$96,288 reported as investments and classified as nonparticipating contracts.

LONOKE SCHOOL DISTRICT NO. 1
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		
	General	Special Revenue	Other Aggregate
Federal assistance		\$ 202,459	
Other	\$ 3,883		\$ 1,650
Totals	\$ 3,883	\$ 202,459	\$ 1,650

4: COMMITMENTS

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

A. Construction Contract

Project Name	Estimated Completion Date	Contract Balance
Lonoke Clinic and Business Academy	August 1, 2021	\$ 9,814,444

B. Operating Leases (noncapital leases with initial noncancellable lease terms in excess of one year)

General description of leases and leasing arrangements:

On April 26, 2017 the District executed a lease for copiers at \$2,051 per month for 36 months, beginning in May, 2017. On April 23, 2020 the District executed a lease for copiers at \$2,187 per month for 36 months, beginning in May, 2020.

1. Future minimum rental payments (aggregate) at June 30, 2020: \$74,367
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2021	\$ 26,247
2022	26,247
2023	21,873
Total	\$ 74,367

Rental payments for the operating leases described above were approximately \$30,423 for the year ended June 30, 2020.

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

C. 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
Bonds					
5/1/12	2/1/41	1.5 - 3.75%	\$ 2,070,000	\$ 1,635,000	\$ 435,000
11/1/14	2/1/35	1 - 3.25%	4,000,000	3,350,000	650,000
5/25/16	2/1/35	1.15 - 2.6%	885,000	765,000	120,000
11/5/19	2/1/41	1.5 - 2.5%	5,505,000	5,505,000	
5/5/20	2/1/50	3 - 3.75%	24,410,000	24,410,000	
Total Long-Term Debt			<u>\$ 36,870,000</u>	<u>\$ 35,665,000</u>	<u>\$ 1,205,000</u>

Changes in Long-term Debt

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
Bonds payable	<u>\$ 23,730,000</u>	<u>\$ 29,915,000</u>	<u>\$ 17,980,000 *</u>	<u>\$ 35,665,000</u>

* Includes \$17,000,000 early retirement of debt – See Note 6.

Future Principal and Interest Payments

Year Ended June 30,	Bonds		
	Principal	Interest	Total
2021	\$ 430,000	\$ 907,525	\$ 1,337,525
2022	800,000	1,122,222	1,922,222
2023	820,000	1,104,491	1,924,491
2024	840,000	1,085,079	1,925,079
2025	860,000	1,064,804	1,924,804
2026-2030	4,635,000	4,986,948	9,621,948
2031-2035	5,300,000	4,323,860	9,623,860
2036-2040	6,140,000	3,490,960	9,630,960
2041-2045	7,210,000	2,419,230	9,629,230
2046-2050	8,630,000	994,875	9,624,875
Totals	<u>\$ 35,665,000</u>	<u>\$ 21,499,994</u>	<u>\$ 57,164,994</u>

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

C. Long-term Debt Issued and Outstanding (Continued)

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

Description	Governmental Funds		Fiduciary Fund Types
	Major		
	General	Special Revenue	
Vendor payables	\$ 46,383	\$ 15,784	\$ 900

6: DEBT REFUNDINGS

On November 5, 2019, the District issued refunding bonds of \$5,505,000 with interest rates of 1.5 to 2.5 percent to refund \$5,320,000 of outstanding bonds dated January 3, 2017. The interest rates of the bonds refunded were 1.7 to 3.55 percent. Net bond proceeds of \$5,377,679 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on February 1, 2020. The remaining proceeds of \$3,840 (after payment of \$123,481 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$358,682 to the District over the life of the bonds.

On May 5, 2020, the District issued refunding bonds of \$24,410,000, with interest rates of 3 to 3.75 percent to refund \$6,710,000 of outstanding bonds dated June 1, 2015 and \$4,970,000 of outstanding bonds dated January 1, 2016, and to construct and equip a school based health clinic and business academy. The interest rates of the bonds refunded were 2 to 3.25 percent and 1.5 to 3 percent, respectively. Net bond proceeds of \$11,787,745 were remitted to escrow agents to provide all future debt service payments for the bonds refunded. These bonds will be called on June 5, 2020. The remaining proceeds of \$12,053,840 (after payment of \$568,416 net bond issuance costs) will be paid to the District for deposit into the Construction Fund to be used for constructing and equipping a school based health clinic and business academy. Any remaining funds may be used for other capital projects and equipment purchases. The bond issue restructured and extended the debt obligation of the District from fiscal year 2041 to fiscal year 2050.

7: INTERFUND TRANSFERS

The District transferred \$234,404 from the general fund to the other aggregate funds for capital expenditures. The District transferred excess property taxes of \$871,540 from the debt service fund to the capital projects fund to supplement future capital projects. This transfer was eliminated for reporting purposes because these funds are included within the other aggregate funds.

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8: RELATED-PARTY TRANSACTION

The District maintained a bank balance of \$19,517,864 with Bank of England at June 30, 2020. A member of the District's Board of Education is Chief Credit Officer of this institution. In accordance with Ark. Code Ann. § 6-24-105, a resolution to conduct business with this bank was adopted by the District's Board of Education and approved by the Arkansas Department of Education.

9: 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.

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 \$1,408,889, 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 \$12,725,212.

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

10: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 5,000
Interest	<u>1,496</u>
TOTAL ADDITIONS	<u>6,496</u>
DEDUCTIONS	
Scholarships	5,500
Other	<u>3,000</u>
TOTAL DEDUCTIONS	<u>8,500</u>
CHANGE IN FUND BALANCE	(2,004)
FUND BALANCE - JULY 1	<u>89,592</u>
FUND BALANCE - JUNE 30	<u><u>\$ 87,588</u></u>

11: DEFICIT FUND BALANCES

The deficit unassigned fund balance of \$860 in special revenue fund, as displayed in the table at Note 15 below, is comprised of \$197 from the Special Education program and \$663 from the Elementary and Secondary School Emergency Relief Fund. The temporary deficits were caused by the recognition of minor accounts payable at year-end.

12: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$36,870,000 issued from May 1, 2012 to May 5, 2020. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$57,164,994, payable through February 1, 2050. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,553,555 and \$2,421,849, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 64.15 percent.

13: RISK MANAGEMENT

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

The District carries commercial insurance for board liability and student accidents.

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.

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

13: RISK MANAGEMENT (Continued)

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 and contents.

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

The District participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of vehicles.

Settled claims have not exceeded 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.

14: 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 \$265,459 for the year ended June 30, 2020.

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Capital projects			\$ 11,864,730
Child nutrition programs		\$ 174,413	
Medical services		229,592	
Other purposes	\$ 61,503	4,467	
Total Restricted	<u>61,503</u>	<u>408,472</u>	<u>11,864,730</u>
Assigned to:			
Capital projects			\$ 5,555,732
Student activities	258,549		
Other purposes	2,972		
Total Assigned	<u>261,521</u>		<u>5,555,732</u>
Unassigned	<u>1,149,626</u>	<u>(860)</u>	
Totals	<u>\$ 1,472,650</u>	<u>\$ 407,612</u>	<u>\$ 17,420,462</u>

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

16: ENDOWMENT SCHOLARSHIP FUND

During the 1990 fiscal year, J.O. Bennett and Sons, Inc., endowed the District with \$75,000 for the J.O. "Pete" and Gertrude Bennett Memorial Scholarship Fund. The principal is to be maintained in perpetuity with the interest income being utilized to fund annual scholarships. At June 30, 2020, the endowment scholarship fund balance (spendable and nonspendable portions) was \$76,475. The entire endowment scholarship fund was invested in certificates of deposit classified as nonparticipating contracts at June 30, 2020.

17: 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.

18: SUBSEQUENT EVENT

On July 27, 2020, the District issued refunding bonds of \$5,165,000, with interest rates of .65 to 1.9 percent to refund the District's May 1, 2012 and November 1, 2014 bond issues with interest rates of 1.5 to 3.75 and 1 to 3.25 percent, respectively. On June 30, 2020, the district received immediately available funds of \$104,500 representing a good faith deposit which is reflected in the accompanying financial statements as the liability advance deposit on bond issue.

LONOKE SCHOOL DISTRICT NO. 1
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	\$ 252,251
Construction in progress	189,000
Total nondepreciable capital assets	441,251
Depreciable capital assets:	
Buildings	42,821,676
Improvements/infrastructure	2,450,265
Equipment	3,834,297
Total depreciable capital assets	49,106,238
Less accumulated depreciation for:	
Buildings	11,307,037
Improvements/infrastructure	776,637
Equipment	2,914,431
Total accumulated depreciation	14,998,105
Total depreciable capital assets, net	34,108,133
Capital assets, net	\$ 34,549,384

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	4301		\$ 179,602
Arkansas Department of Education - COVID-19 - School Breakfast Program	10.553	4301		51,189
Total for School Breakfast Program				<u>230,791</u>
National School Lunch Program (Note 3)	10.555			29,998
Arkansas Department of Education - National School Lunch Program	10.555	4301		399,738
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	4301000		41,782
Arkansas Department of Education - COVID-19 - National School Lunch Program	10.555	4301		81,438
Total for National School Lunch Program				<u>552,956</u>
Total U. S. Department of Agriculture				<u>783,747</u>
TOTAL CHILD NUTRITION CLUSTER				
<u>783,747</u>				
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	4301		453,841
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				
<u>453,841</u>				
OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
ROTC (Note 5)	12 AR251786			53,776
Total U. S. Department of Defense				<u>53,776</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Career Education - Adult Education - Basic Grants to States	84.002	4301		55,511
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	4301		451,074
Arkansas Department of Education - Migrant Education - State Grant Program	84.011	4301		29,728
Arkansas Department of Education - Rural Education	84.358	4301		32,546
Arkansas Department of Education - English Language Acquisition State Grants	84.365	4301		716
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	4301		57,342
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	4301		34,490
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4301		22,349
Total U. S. Department of Education				<u>683,756</u>
TOTAL OTHER PROGRAMS				
<u>737,532</u>				
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 1,975,120</u>

The accompanying notes are an integral part of this schedule.

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Lonoke School District No. 1 (District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 6: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 7: During the year ended June 30, 2020, the District received Medicaid funding of \$76,002 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued on whether the financial statements audited were prepared in accordance with:

Generally accepted accounting principles (GAAP) - adverse
Regulatory basis - unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555 84.010	Child Nutrition Cluster Title I Grants to Local Educational Agencies

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Lonoke School District

Member of the North Central Association Since 1926

Dr. John Tackett, Superintendent

401 W. Holly Street

Lonoke, Arkansas 72086

Telephone: (501) 676-2042

Fax: (501) 676-7074

E-mail: john.tackett@lonokeschools.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDING JUNE 30, 2020

FINANCIAL STATEMENT FINDINGS

There were no findings in prior year audit.

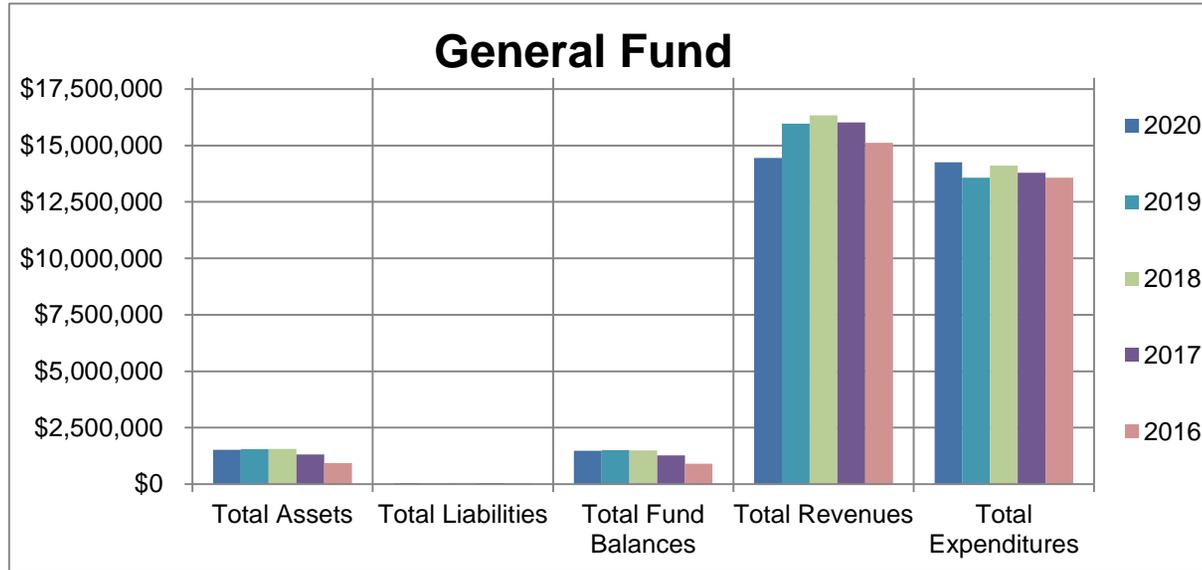
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior year audit

LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS

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

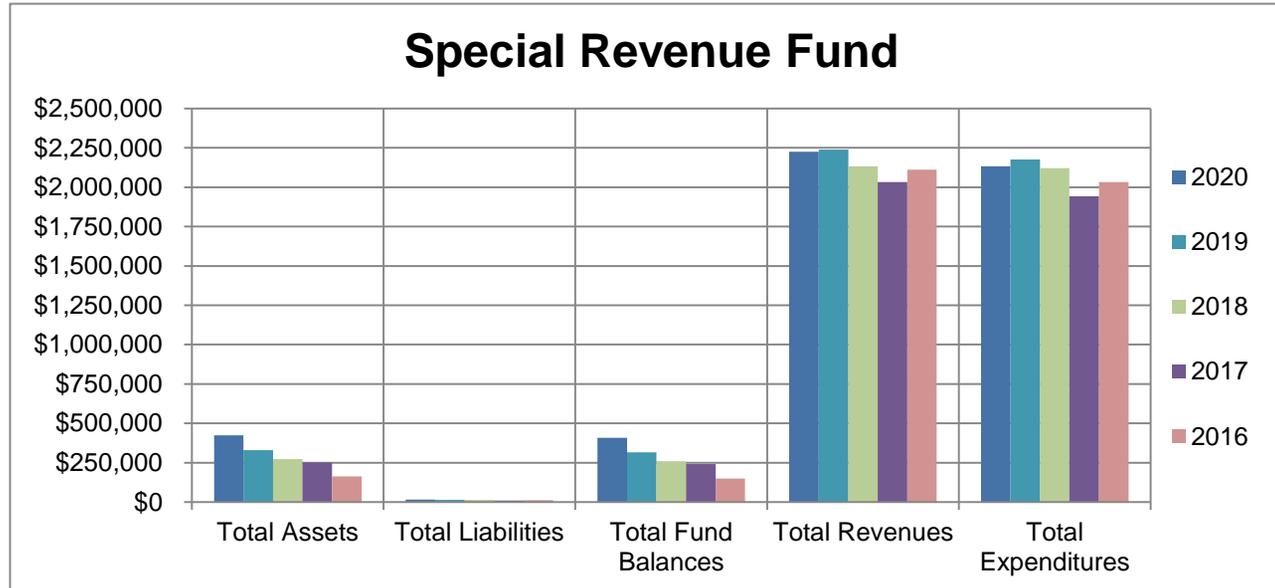
General Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 1,519,033	\$ 1,546,887	\$ 1,555,130	\$ 1,312,611	\$ 936,268
Total Liabilities	46,383	34,518	62,198	42,915	34,344
Total Fund Balances	1,472,650	1,512,369	1,492,932	1,269,696	901,924
Total Revenues	14,453,237	15,967,002	16,334,847	16,022,382	15,122,633
Total Expenditures	14,258,118	13,568,104	14,111,974	13,798,698	13,573,271
Total Other Financing Sources (Uses)	(234,838)	(2,379,461)	(1,999,637)	(1,855,912)	(1,472,161)



LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS

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

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 423,396	\$ 330,529	\$ 273,371	\$ 251,302	\$ 162,180
Total Liabilities	15,784	14,801	14,698	10,478	12,087
Total Fund Balances	407,612	315,728	258,673	240,824	150,093
Total Revenues	2,224,953	2,239,276	2,133,773	2,032,758	2,112,018
Total Expenditures	2,133,069	2,176,475	2,121,584	1,942,027	2,032,194
Total Other Financing Sources (Uses)		(5,746)	5,660		



LONOKE SCHOOL DISTRICT NO. 1
LONOKE COUNTY, ARKANSAS

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

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 17,524,962	\$ 4,836,129	\$ 3,501,000	\$ 3,707,846	\$ 4,105,777
Total Liabilities	104,500	138,125		146,230	200
Total Fund Balances	17,420,462	4,698,004	3,501,000	3,561,616	4,105,577
Total Revenues	2,557,152	785,933			877,209
Total Expenditures	2,818,674	1,956,983	2,054,593	2,550,916	1,591,562
Total Other Financing Sources (Uses)	12,983,980	2,368,054	1,993,977	2,006,955	1,477,896

