

**NORTH LITTLE ROCK SCHOOL
DISTRICT NO. 1
NORTH LITTLE ROCK, ARKANSAS**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

with

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

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 North Little Rock 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 basic 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 financial reporting practices prescribed or permitted by the Arkansas Code Ann. § 10-4-413(c) as provided in Act 867 of 2019, which is described in Note 1. 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 an opinion 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 entity'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 entity'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.

To the Board of Education
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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 more fully in Note 1, the District has prepared the financial statements using financial reporting practices prescribed or permitted by Arkansas Code Ann. § 10-4-413(c) as provided in Act 867 of 2019, 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 determined, 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” paragraph, the financial statements referred to in the first paragraph 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 its financial position for the year then ended. Further, the District has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and budgetary results 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 867 of 2019 as described in Note 1.

Other Matters

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, schedule of expenditures of federal awards as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of state assistance and the supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines are presented for purposes of additional analysis and are not a required part of the basic financial statements.

To the Board of Education
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The schedule of expenditures of federal awards and schedule of state assistance are the responsibility of management and were derived from and relate 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 and schedule of state assistance are fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

The schedule of capital assets and supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines 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 February 10, 2021 on our consideration of the District's internal control over financial reporting and 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 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.

HCT CPAs & Advisors, PLLC

Little Rock, Arkansas
February 10, 2021

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2020

	Governmental Funds			
	Major			Fiduciary fund types
	General fund	Special revenue fund	Other governmental funds	
ASSETS				
Cash and cash equivalents	\$ 11,870,157	\$ 2,284,402	\$ 17,864,459	\$ 446,435
Due from other governments	-	1,062,945	-	-
Due from other funds	1,062,945	-	-	-
	\$ 12,933,102	\$ 3,347,347	\$ 17,864,459	\$ 446,435
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 83,102	\$ 3,913	\$ -	\$ 200
Due to other funds	-	1,062,945	-	-
Due to student groups	-	-	-	446,235
Total liabilities	83,102	1,066,858	-	446,435
Fund Balances:				
Restricted:				
State programs	50,628	-	-	-
Federal programs	-	2,280,489	-	-
Assigned:				
Capital projects	-	-	17,864,459	-
Unassigned	12,799,372	-	-	-
Total fund balances	12,850,000	2,280,489	17,864,459	-
	\$ 12,933,102	\$ 3,347,347	\$ 17,864,459	\$ 446,435

See accompanying notes.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS

YEAR ENDED JUNE 30, 2020

	Major		
	General fund	Special revenue fund	Other governmental funds
REVENUES			
Property taxes	\$ 36,624,650	\$ -	\$ -
Interest	387,945	4,112	-
State revenues	49,829,360	31,591	-
Federal revenues	-	12,902,812	-
Food services	-	283,333	-
Other	927,392	-	-
	<u>87,769,347</u>	<u>13,221,848</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction and instructional - related services	45,956,483	6,201,009	-
Support services	29,862,941	2,840,833	-
Non-instructional services	19,134	4,346,011	-
Other	8,666	38,780	-
Debt service:			
Principal retirement	-	-	5,250,000
Interest and fiscal charges	-	-	7,554,775
Paying agent's fees	-	-	3,875
Capital outlay	<u>981,734</u>	<u>234,715</u>	<u>1,117,206</u>
	<u>76,828,958</u>	<u>13,661,348</u>	<u>13,925,856</u>
Excess (deficiency) of revenue over expenditures	10,940,389	(439,500)	(13,925,856)
OTHER FINANCING (USES) SOURCES			
Transfers, net	(10,824,341)	237,934	10,586,407
Payments to other LEA's	(44,837)	-	-
Compensation for disposals of capital assets	9,935	-	-
Total other financing (uses) sources	<u>(10,859,243)</u>	<u>237,934</u>	<u>10,586,407</u>
Net change in fund balances	81,146	(201,566)	(3,339,449)
Fund balance - beginning	<u>12,768,854</u>	<u>2,482,055</u>	<u>21,203,908</u>
Fund balance - ending	<u>\$ 12,850,000</u>	<u>\$ 2,280,489</u>	<u>\$ 17,864,459</u>

See accompanying notes.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS -
REGULATORY BASIS**

YEAR ENDED JUNE 30, 2020

	General Fund		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
REVENUES			
Property taxes	\$ 36,660,000	\$ 36,624,650	\$ (35,350)
Interest	500,000	387,945	(112,055)
State revenues	48,795,994	49,829,360	1,033,366
Federal revenues	-	-	-
Food services	-	-	-
Other	1,165,935	927,392	(238,543)
	<u>87,121,929</u>	<u>87,769,347</u>	<u>647,418</u>
EXPENDITURES			
Current:			
Instruction and instructional-related services	41,767,799	45,956,483	(4,188,684)
Support services	29,606,570	29,862,941	(256,371)
Non-instructional services	7,055	19,134	(12,079)
Other	21,500	8,666	12,834
Capital outlay	1,015,486	981,734	33,752
	<u>72,418,410</u>	<u>76,828,958</u>	<u>(4,410,548)</u>
Excess (deficiency) of revenues over expenditures	14,703,519	10,940,389	(3,763,130)
OTHER FINANCING (USES) SOURCES			
Transfers, net	(13,058,476)	(10,824,341)	2,234,135
Payments to other LEA's	-	(44,837)	(44,837)
Compensation for disposals of capital assets	-	9,935	9,935
Total other financing (uses) sources	<u>(13,058,476)</u>	<u>(10,859,243)</u>	<u>2,199,233</u>
Net change in fund balances	<u>\$ 1,645,043</u>	<u>\$ 81,146</u>	<u>\$ (1,563,897)</u>

See accompanying notes.

Special Revenue Fund

Budget	Actual	Variance
\$ -	\$ -	\$ -
2,000	4,112	2,112
31,500	31,591	91
13,121,321	12,902,812	(218,509)
299,500	283,333	(16,167)
-	-	-
<u>13,454,321</u>	<u>13,221,848</u>	<u>(232,473)</u>
5,521,520	6,201,009	(679,489)
2,918,821	2,840,833	77,988
4,152,277	4,346,011	(193,734)
236,435	38,780	197,655
195,157	234,715	(39,558)
<u>13,024,210</u>	<u>13,661,348</u>	<u>(637,138)</u>
430,111	(439,500)	(869,611)
253,800	237,934	(15,866)
-	-	-
-	-	-
<u>253,800</u>	<u>237,934</u>	<u>(15,866)</u>
<u>\$ 683,911</u>	<u>\$ (201,566)</u>	<u>\$ (885,477)</u>

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies

Reporting entity

The Board of Education, a seven (7) 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 North Little Rock School District No. 1 (the "District"). There are no component units.

Fund accounting

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

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be 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 expenditures 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).

Measurement focus and basis of accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Ark. Code Ann. 10-4-413 (c), as provided in Act 867 of 2019, 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.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Measurement focus and basis of accounting (continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires 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, specific procedures for the identification of major governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

COVID-19 Pandemic

On March 11, 2020, the World Health Organization designated COVID-19 as a global pandemic. As of the date of the audit report, the COVID-19 pandemic continues to persist domestically and globally. At the current time, the District has not experienced a significant impact because of COVID-19; however, management is unable to predict how COVID-19 will affect the District's future financial performance due to the uncertainties surrounding the severity and duration of the pandemic.

Revenue recognition policies

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

Capital assets

Information on capital assets and related depreciation is reported in the accompanying Schedule of Capital Assets. 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 fair value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Buildings and improvements	30
Furniture and equipment	4 - 10
Vehicles and buses	4 - 10

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Property taxes

Property taxes are levied in November based on property assessment made between January 1 and April 10 and are an enforceable lien on January 1 for real property and personal property. The tax records are opened on 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.

Prior to the year ending June 30, 2012, property taxes were accrued or deferred, as applicable, in accordance with guidelines issued by the Arkansas Department of Education (ADE), which were effective beginning with the fiscal year ended June 30, 2006. Arkansas Code § 6-20-401 defined revenue receipts of a school district and included forty percent (40%) of the proceeds of local taxes which are not pledged to secure bonded indebtedness or forty percent (40%) of the revenue from the uniform rate of tax whichever is greater collected in the succeeding calendar year, commonly known as 40% pullback, within that definition. The ADE determined that school districts must utilize the 40% pullback amount, as calculated by the ADE and reflected on the respective county's abstract of assessments, in recording property tax revenue as follows:

- If the amount of 40% pullback collected by June 30th was less than the calculated 40% pullback amount, the difference was accrued;
- If the amount of 40% pullback collected by June 30th was more than the calculated 40% pullback amount, the excess was recorded as deferred taxes.

In March 2011, the General Assembly of the State of Arkansas passed Act 871 to amend Arkansas Code § 6-20-401 to clarify the definition of "revenue receipts of a school district". Act 871 became effective for years ending June 30, 2012 and thereafter. The Act reduced the pullback percentage by 4% each year (to 4% for the year ending June 30, 2020) and eliminated the deferral of amounts collected in excess of the pullback amount. Now, if the District collects less than the stated pullback amount, they are allowed to accrue the difference. However, if they collect more, they must reflect it as current year revenues. In the current year, the District collected approximately \$14,200,000 more than the stated 4% pullback amount and has recorded this amount in its current year revenues.

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.

Interfund receivables and payables

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

Fund balance classifications

Under the RBA, fund balance is reported under the following five classifications:

1. **Nonspendable Fund Balance** - includes amounts that are not in a spendable form or are required to be maintained intact. The District does not have any nonspendable fund balances at year end.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Fund balance classifications (continued)

2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for State Programs and Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements.
3. **Committed Fund Balance** - includes amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision-making authority (the Board of Education) and does not lapse at year end. The District does not have any committed fund balances at year end.
4. **Assigned Fund Balance** - includes amounts intended for a specific purpose by the Board of Education or by a District official that has been delegated authority to assign amounts. The District has capital projects assigned at year-end for construction or other capital outlay projects.
5. **Unassigned Fund Balance** - includes any remaining fund balance that has not been reported in any other classification. 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.

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 common for an individual source of funds to contain restricted and unrestricted (committed, assigned or unassigned) funds. The District has 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. The District's policy is to have expenditures spent from restricted amounts first at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District has 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 fund balance (if any) is reduced first, followed by assigned fund balance, and lastly unassigned fund balance.

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.

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 on 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.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Budget and budgetary accounting (continued)

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.

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.

Minimum fund balance policies

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

Subsequent events

The District has evaluated all subsequent events for potential recognition and disclosure February 10, 2021, the date these financials statements were available to be issued.

Note 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 value	Bank balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized - held by pledging bank or pledging bank trust department in the District's name	32,215,453	35,849,287
Total deposits	\$ 32,465,453	\$ 36,099,287

Note 3: Accounts payable and accrued expenses

The accounts payable balance in the balance sheet consists of the following at June 30, 2020:

	Governmental Funds					
	Major			Fiduciary fund types	Total	
	General fund	Special revenue fund	Other governmental funds			
Vendor payables	\$ 83,102	\$ 3,913	\$ -	\$ 200	\$ 87,215	

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 4: Commitments

Long-term debt issued and outstanding

The District is presently paying on the following bonds payable:

<u>Date of issue</u>	<u>Date of final maturity</u>	<u>Rate of interest</u>	<u>Amount authorized and issued</u>	<u>Debt outstanding June 30, 2020</u>	<u>Maturities to June 30, 2020</u>
10/01/2012	2/01/2043	1.00 – 3.88%	\$ 10,000,000	\$ 8,250,000	\$ 1,750,000
07/01/2013	2/01/2043	3.00 – 5.00%	125,000,000	104,375,000	20,625,000
02/01/2015	2/01/2043	3.00 – 3.50%	65,465,000	63,095,000	2,370,000
11/01/2016	6/01/2036	2.00 – 3.00%	22,340,000	20,340,000	2,000,000
Totals			<u>\$ 222,805,000</u>	<u>\$ 196,060,000</u>	<u>\$ 26,745,000</u>

Changes in long-term debt as follows:

<u>Description</u>	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>
Bonds payable	\$ 201,310,000	\$ -	\$ 5,250,000	\$ 196,060,000

Total long-term debt principal and interest payments are as follows:

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 5,430,000	\$ 7,350,125	\$ 12,780,125
2022	5,715,000	7,138,706	12,853,706
2023	5,945,000	6,918,106	12,863,106
2024	6,185,000	6,677,563	12,862,563
2025	6,370,000	6,494,463	12,864,463
2026 - 2030	35,545,000	28,890,988	64,435,988
2031 - 2035	42,740,000	21,874,756	64,614,756
2036 - 2040	51,690,000	13,435,494	65,125,494
2041 - 2043	36,440,000	2,979,919	39,419,919
Totals	<u>\$ 196,060,000</u>	<u>\$ 101,760,120</u>	<u>\$ 297,820,120</u>

Note 5: Interfund Transfers

The following details the transfers between governmental funds for operating purposes, debt payments, and supplemental future capital projects:

	<u>General fund</u>	<u>Special revenue fund</u>	<u>Debt service fund</u>	<u>Capital projects fund</u>	<u>Total</u>
Transfers in	\$ 102,126,637	\$ 569,185	\$ 12,808,650	\$ 1,405,044	\$ 116,909,516
Transfers out	(112,950,978)	(331,251)	-	(3,627,287)	(116,909,516)
Totals	<u>\$ (10,824,341)</u>	<u>\$ 237,934</u>	<u>\$ 12,808,650</u>	<u>\$ (2,222,243)</u>	<u>\$ -</u>

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 6: Retirement plans****Arkansas Teacher Retirement System**

Plan description: The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain non-teachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution 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.

Arkansas Teacher Retirement System (continued)

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6.25% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14.25%.

The District made contributions to the Arkansas Teacher Retirement System of \$8,295,323, \$7,874,883, and \$7,847,948 for the years ended June 30, 2020, 2019, and 2018, respectively, equal to the required contributions of each year. The \$8,295,323 contribution in the current year is made up of \$7,680,998 for non-federally funded employees and \$614,325 for federally funded employees.

Net pension liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability of ATRS at June 30, 2019 (actuarial valuation date and measurement date) was \$76,349,695.

Arkansas Public Employees Retirement System

Plan description: The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 6: Retirement plans (continued)****Arkansas Public Employees Retirement System (continued)**

Funding policy: APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to APERS for the years ended June 30, 2020, 2019, and 2018 were \$1,995; \$3,448; and \$5,293, respectively, equal to the required contributions for each year.

Net pension liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability of APERS at June 30, 2019 (actuarial valuation date and measurement date) was \$28,369.

Note 7: On-behalf payments

During the year ended June 30, 2020, health insurance premiums of \$1,970,142 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District Employees.

Note 8: Litigation and contingencies

The District is subject to claims and lawsuits that arise primarily in the ordinary course of business. Neither the ultimate outcome nor an estimated range of potential loss can be determined. Management and legal counsel are of the opinion that the likelihood of a financially material outcome is small and, thus, no provision has been made in the financial statements for any potential liabilities.

The District participates in federally assisted grant programs. This District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

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.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 9: Risk management**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District is a member of the Arkansas School Board Association Self-Insurance Program, a public-entity risk pool currently operating a common risk management and insurance program for its members. The fund was created by members to formulate, develop and administer a program of self-funding for its membership, obtain lower Workmen's Compensation coverage and develop a comprehensive loss control program. The District pays an annual premium to the fund for its Workmen's Compensation Coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through the member premiums and will reissue through commercial carriers for claims in excess of specified stop loss amounts.

Note 10: Subsequent events

In January 2021, the District purchased three seventy-seven passenger school buses for \$291,500.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(UNAUDITED)

Nondepreciable capital assets:

Land	\$ 4,031,696
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Depreciable capital assets:

Buildings and improvements	313,731,491
Improvements other than buildings	1,007,677
Furniture, equipment, vehicles and buses	<u>33,653,778</u>
Total depreciable capital assets	<u>348,392,946</u>

Less accumulated depreciation for:

Buildings and improvements	77,226,274
Improvements other than buildings	1,007,677
Furniture, equipment, vehicles and buses	<u>27,820,600</u>
Total accumulated depreciation	<u>106,054,551</u>

Total depreciable capital assets, net	<u>242,338,395</u>
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Capital assets, net	<u>\$ 246,370,091</u>
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

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 North Little Rock 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 February 10, 2021.

We issued an adverse opinion because the District prepared the financial statements in conformity with accounting practices prescribed by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position thereof, and the budgetary results 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 financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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.

To the Board of Education
Page Two

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given 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 laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance 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.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
February 10, 2021

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

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

Report on Compliance for Each Major Federal Program

We have audited North Little Rock 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.

Auditors' 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 major federal programs. However, our audit does not provide a legal determination on the District's compliance.

To the Board of Education
Page Two

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 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.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
February 10, 2021

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2020

Federal grant/pass-through grantor/program title	Pass through entity identifying number	Assistance listing number	Federal expenditures
SPECIAL EDUCATION CLUSTER			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title VI, Special Education - Grants to States (IDEA, Part B)	6002	84.027	\$ 2,144,930
Special Education - Preschool Grants (IDEA Preschool)	6002	84.173	<u>92,753</u>
Total Special Education Cluster			<u>2,237,683</u>
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program (SBP) - Cash Assistance	6002	10.553	824,388
COVID-19 School Breakfast Program (SBP) - Cash Assistance	6002	10.553	71,747
National School Lunch Program (NSLP) - Cash Assistance	6002	10.555	2,321,689
COVID-19 National School Lunch Program (NSLP) - Cash Assistance	6002	10.555	<u>177,214</u>
Total Arkansas Department of Education			3,395,038
Passed through Arkansas Department of Human Services:			
National School Lunch Program (NSLP) - Non-Cash Assistance	6002	10.555	<u>252,280</u>
Total Child Nutrition Cluster			<u>3,647,318</u>
OTHER PROGRAMS:			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title I Grants to Local Educational Agencies	6002	84.010	4,787,558
Title I - School Improvement Grants	6002	84.010	192,292
Career and Technical Education - Basic Grants to States (Perkins IV)	6002	84.048	179,323
Education for Homeless Children and Youth	6002	84.196	75,861
Title III, English Language Acquisition State Grants	6002	84.365	67,307
Title II - Part A - Improving Teacher Quality State Grants	6002	84.367	788,225
Elementary and Secondary School Emergency Relief Fund	6002	84.425D	<u>263,380</u>
Total Passed Through Arkansas Department of Education			<u>6,353,946</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Education:			
Substance Abuse and Mental Health Services Projects of Regional and National Significance	6002	93.243	9,981
Passed through Arkansas Department of Human Services:			
Child Care and Development Block Grant	6002	93.575	<u>17,641</u>
Total U.S. Department of Health and Human Services			<u>27,622</u>
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Human Services:			
Child and Adult Care Food Program (CACFP) - Cash Assistance	100976	10.558	55,486
Passed through Arkansas Department of Education:			
Fresh Fruit and Vegetable Program	6002	10.582	<u>8,008</u>
Total U.S. Department of Agriculture			<u>63,494</u>
Total Other Programs			<u>6,445,062</u>
Total Expenditures of Federal Awards			<u>\$ 12,330,063</u>

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. This schedule includes the federal awards activity of the District and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District did not elect to use the 10% de minimis indirect cost rate.
2. Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
3. Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$472,413 are not covered by the reporting requirements of the Uniform Guidance.
4. The District received approval from the Arkansas Department of Education to transfer \$331,251 of Title IV, Part A- Student Support and Academic Enrichment Grants to Title II, Part A- Improving Teacher Quality State Grants.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1**SCHEDULE OF STATE ASSISTANCE****YEAR ENDED JUNE 30, 2020****Arkansas Department of Education**

State Foundation Funding	\$ 36,520,968
98% Uniform Rate of Tax Actual Collection Adjustment	306,075
GT Advanced Placement	8,750
Bonded Debt Assistance	128,013
Professional Development Funding	221,559
Limited English Proficiency Allocation	200,100
Food Service State Matching	31,591
Alternative Learning	1,064,810
National School Lunch Student Funding	6,229,277
Arkansas Better Chance Program	3,049,124
Child Supervision Extended School Year Funding	18,648
Early Childhood Special Education	155,441
Children w/ Disabilities - Supervision	34,645
Pathwise Mentoring Grant	100,000
Special Education Catastrophic Loss Funding	178,473
Secondary Workforce Center	69,604
Progress Awards	43,950
Declining Enrollment	1,016,292
Computer Science Grant	300
NBCT Teacher Bonus	438,840
NSL Match Grant	1,143
Early Intervention Day Treatment Centers	42,991
Other State Grants and Aid	357
	<hr/>
Total State Assistance	<u>\$ 49,860,951</u>

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

1. Our report expressed an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on regulatory basis of accounting on the basic financial statements of North Little Rock District No. 1.

2. The independent auditors' report on internal control over financial reporting described:

Significant deficiency(ies) identified? Yes No

Material weakness(es) identified? Yes No

3. Noncompliance considered material to the financial statements was disclosed by the audit? Yes No

4. The independent auditors' report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiency(ies) identified? Yes No

Material weakness(es) identified? Yes No

5. The opinion expressed in the independent auditors' report on compliance with requirements applicable to major federal awards was:

Unmodified Modified Adverse Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance? Yes No

7. The Auditee's major programs were:

Cluster/Program	Assistance Listing Number(s)
• Title I – Grants to Local Educational Agencies and School Improvement Grants	84.010
• Elementary and Secondary School Emergency Relief Fund	84.425D

8. The threshold used to distinguish between Type A & Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS (CONTINUED)

9. The Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

Yes

No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE NOTED

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

NONE NOTED

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

U.S. Department of Education Passed through Arkansas Department of Education

**Title I – Grants to Local Educational agencies and School Improvements Grants:
Assistance Listing #84.010**

Significant Deficiency

2019-001 Approval of Time Certifications

Statement of Condition: The time certification for the director of the Title I Program was improperly approved by the director.

Recommendation: To ensure time certifications are properly approved, all time certifications should be approved by a superior District officer or director to the individual completing the time certification.

Current Status: The recommendation was adopted by the District. No similar findings were noted in the 2020 audit.

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

We have examined management's assertions that North Little Rock School District No. 1 substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2020. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, North Little Rock School District No. 1 complied with the aforementioned requirements for the year ended June 30, 2020, in all material respects.

This report is intended solely for the information and use of the School Board, management, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
February 10, 2021

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2020

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	
• Bonded & Non-bonded Debt, District School Bonds	6-20-402 6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	
• Investment of Fund	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.
• District Treasurer	6-13-701
◦ Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws - Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or more (Certified & Classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et seq., 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218; 11-4-403; 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et. Seq.
Fiscal Accountability	6-20-1906 et. Seq
Enhanced Student Achievement Funding ESA	6-20-2305(B)(4)(F)(I)
Limitation on Fund Balances	6-20-2210 (waived for 2019 – 2020 only)
CARES Act (COVID-19) Education Funding	Commissioner's Memo LS-20-089

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1**SUPPLEMENTAL DATA SHEET****YEAR ENDED JUNE 30, 2020**

The following information is being provided to satisfy the requirements of Arkansas Department of Human Services Audit Guidelines:

1. Entity's Full Name: North Little Rock School District No. 1
2. Entity's Address: 2400 Willow Street
North Little Rock, AR 72114
3. Entity's FEIN: 71-6014124
4. Entity's Telephone Number: (501) 771-8000
5. Name of Director: Mr. Gregory J. Pilewski, Superintendent
6. Name of Contact Person: Mr. Brian Brown, Chief Financial Officer