

**FAYETTEVILLE SCHOOL DISTRICT NO. 1
WASHINGTON COUNTY, 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
Fayetteville School District No. 1
Fayetteville, 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 Fayetteville 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 financial reporting practices prescribed or permitted by Ark. Code Ann. § 10-4-413(c) as provided in Act 867 of 2019, which is 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.

Auditors’ Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 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 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 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 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 867 of 2019 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*, schedule of capital assets, the 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 regulatory basis financial statements.

To the Board of Education
Page Three

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 16, 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 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.

H CJ CPAs & Advisors, PLLC

Little Rock, Arkansas
February 16, 2021

FAYETTEVILLE SCHOOL DISTRICT NO. 1

BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2020

	Governmental Funds			
	Major			Fiduciary fund types
	General fund	Special revenue fund	Other governmental fund	
<u>ASSETS</u>				
Cash and cash equivalents	\$ 13,403,866	\$ 228,284	\$ 122,483,062	\$ 924,366
Accounts receivable	4,672,841	574,729	817,362	-
Due from other funds	1,191,585	-	-	-
Inventories	-	194,026	-	-
Restricted assets:				
Assets held in trust	-	-	47,911,257	-
	<u>\$ 19,268,292</u>	<u>\$ 997,039</u>	<u>\$ 171,211,681</u>	<u>\$ 924,366</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities:				
Accounts payable	\$ 55,186	\$ 6,978	\$ 650,142	\$ -
Accrued expenses	682,263	-	-	-
Due to other funds	-	374,223	817,362	-
Due to student/other groups	-	-	-	924,366
Total liabilities	737,449	381,201	1,467,504	924,366
Fund balances:				
Nonspendable	-	194,026	-	-
Restricted:				
Federal programs	-	421,812	-	-
State programs	787,617	-	-	-
Debt service	-	-	47,911,257	-
Assigned:				
Capital projects	-	-	121,832,920	-
Unassigned	17,743,226	-	-	-
Total fund balances	<u>18,530,843</u>	<u>615,838</u>	<u>169,744,177</u>	<u>-</u>
	<u>\$ 19,268,292</u>	<u>\$ 997,039</u>	<u>\$ 171,211,681</u>	<u>\$ 924,366</u>

See accompanying notes.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

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

YEAR ENDED JUNE 30, 2020

	Major		Other governmental funds
	General fund	Special revenue fund	
REVENUES			
Property taxes	\$ 75,675,317	\$ -	\$ -
Food services	-	970,015	-
Investment income	299,648	-	928,361
Other local revenues	217,601	-	-
State revenues	36,116,826	24,638	-
Federal revenues	-	7,968,147	-
	<u>112,309,392</u>	<u>8,962,800</u>	<u>928,361</u>
EXPENDITURES			
Current:			
Instruction	64,284,054	3,397,906	-
Support services	35,247,180	1,795,015	-
Non-instructional services	-	3,900,887	980,400
Capital outlay	415,958	27,543	10,225,653
Debt service:			
Principal	-	-	62,046,212
Interest	-	-	3,522,567
Paying agent fees	-	-	12,024
	<u>99,947,192</u>	<u>9,121,351</u>	<u>76,786,856</u>
Excess of revenues over (under) expenditures	12,362,200	(158,551)	(75,858,495)
OTHER FINANCING (USES) SOURCES			
Proceeds from refunding bond issuance	-	-	173,282,822
Bond issuance costs	-	-	(2,011,519)
Operating transfers, net	(13,161,613)	262,111	12,899,502
Total other financings (uses) sources	<u>(13,161,613)</u>	<u>262,111</u>	<u>184,170,805</u>
Net change in fund balances	(799,413)	103,560	108,312,310
Fund balances - beginning of year	<u>19,330,256</u>	<u>512,278</u>	<u>61,431,867</u>
Fund balances - end of year	<u>\$ 18,530,843</u>	<u>\$ 615,838</u>	<u>\$ 169,744,177</u>

See accompanying notes.

FAYETTEVILLE 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		
	Budget	Actual	Variance
REVENUES			
Property taxes	\$ 76,487,416	\$ 75,675,317	\$ (812,099)
Food services	-	-	-
Investment income	311,700	299,648	(12,052)
Other local revenues	240,000	217,601	(22,399)
State revenues	34,847,450	36,116,826	1,269,376
Federal revenues	-	-	-
	<u>111,886,566</u>	<u>112,309,392</u>	<u>422,826</u>
EXPENDITURES			
Current:			
Instruction	64,546,513	64,284,054	262,459
Support services	34,484,818	35,247,180	(762,362)
Non-instructional services	-	-	-
Capital outlay	<u>385,000</u>	<u>415,958</u>	<u>(30,958)</u>
	<u>99,416,331</u>	<u>99,947,192</u>	<u>(530,861)</u>
Excess of revenues over expenditures	12,470,235	12,362,200	(108,035)
OTHER FINANCING USES			
Operating transfers, net	<u>(13,779,000)</u>	<u>(13,161,613)</u>	<u>617,387</u>
Net change in fund balances	<u>\$ (1,308,765)</u>	<u>\$ (799,413)</u>	<u>\$ 509,352</u>

See accompanying notes.

Special Revenue Fund

<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
\$ -	\$ -	\$ -
1,309,000	970,015	(338,985)
-	-	-
-	-	-
25,000	24,638	(362)
<u>8,469,318</u>	<u>7,968,147</u>	<u>(501,171)</u>
9,803,318	8,962,800	(840,518)
3,760,102	3,397,906	362,196
2,035,713	1,795,015	240,698
3,965,700	3,900,887	64,813
27,524	27,543	(19)
<u>9,789,039</u>	<u>9,121,351</u>	<u>667,688</u>
14,279	(158,551)	(172,830)
<u>-</u>	<u>262,111</u>	<u>262,111</u>
<u>\$ 14,279</u>	<u>\$ 103,560</u>	<u>\$ 89,281</u>

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies

Reporting entity

The Fayetteville School District No. 1 (the “District”) operates schools for students in grades Pre-Kindergarten through twelve in Fayetteville, Arkansas. The District operates under current standards prescribed by the Arkansas Department of Education in accordance with the provision of the School Laws of Arkansas. 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 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 - Account for assets held by the District in a trustee capacity or as an agent on behalf of others and are held 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.

FAYETTEVILLE 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, if any, 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 Property Taxes subtitle 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>
Improvements/infrastructure	20
Building	50
Equipment	5-20

Interfund receivables and payables

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

FAYETTEVILLE 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 assessments made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for 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.

Arkansas Code § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of the 2019 calendar year taxes collected by June 30, 2020, and 4% 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% calculation. In the current year, the District collected approximately \$26,300,000 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.

Fund balance classifications

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's nonspendable fund balance at year end consisted of consumable inventory.
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 Restricted for Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The Debt Service Fund Balance reflects amounts for future debt payments.
3. **Committed Fund Balance** - includes amounts that can be used only for the 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 balance 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 assigned portions of its fund balance 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.

FAYETTEVILLE SCHOOL DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 1: Summary of significant accounting policies (continued)****Fund balance classifications (continued)**

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 at the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Regulatory Basis.

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.

Encumbrances

The District does not utilize encumbrance accounting.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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:

	<u>Carrying value</u>	<u>Bank balance</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	<u>184,450,835</u>	<u>184,911,414</u>
Total deposits	<u>\$ 184,950,835</u>	<u>\$ 185,411,414</u>

The above total deposits include restricted assets held in trust totaling \$47,911,257.

Note 3: Assets held in trust

Assets held in trust include funds held in escrow totaling \$47,911,257 that includes sinking fund deposits for Qualified Zone Academy Bonds that are required to be used for future principal payments.

Note 4: Accounts receivable

The accounts receivable balance of \$6,064,932 is comprised of the following at June 30, 2020:

	<u>General fund</u>	<u>Special revenue fund</u>	<u>Other governmental fund</u>	<u>Total</u>
Due from other governments	\$ 4,548,316	\$ 574,729	\$ 817,362	\$ 5,940,407
Other	<u>124,525</u>	<u>-</u>	<u>-</u>	<u>124,525</u>
Total	<u>\$ 4,672,841</u>	<u>\$ 574,729</u>	<u>\$ 817,362</u>	<u>\$ 6,064,932</u>

Note 5: Commitments

Construction commitments

The District was contractually obligated for five construction contracts with a total remaining contract balance of approximately \$5,259,000 at June 30, 2020.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 5: Commitments (continued)

Long-term debt issued and outstanding

The District is presently paying on the following long-term debt:

<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>
Bonds payable:					
10/5/2006	10/5/2021	0.00%	1,217,183	\$ 1,217,183	\$ -
12/27/2007	12/27/2021	1.10%	950,000	144,783	805,217
2/9/2010	2/9/2027	2.15%	52,305,000	52,305,000	-
11/10/2010	11/1/2029	5.00%	31,460,000	31,460,000	-
9/29/2011	9/1/2028	4.30%	1,140,000	1,140,000	-
1/1/2012	6/1/2030	1.50 - 2.90%	7,545,000	-	7,545,000
8/1/2012	6/1/2035	1.00 - 3.05%	2,435,000	-	2,435,000
8/8/2012	6/1/2034	3.75%	1,920,000	1,920,000	-
11/1/2012	6/1/2035	4.00%	1,290,000	1,050,000	240,000
1/1/2013	6/1/2030	1.00 - 1.75%	6,140,000	-	6,140,000
12/1/2013	6/1/2035	2.00 - 4.125%	3,500,000	-	3,500,000
4/1/2014	6/1/2020	2.00%	5,905,000	-	5,905,000
4/1/2014	6/1/2030	2.00 - 3.25%	8,085,000	-	8,085,000
4/1/2014	6/1/2030	3.00 - 3.25%	8,650,000	-	8,650,000
5/1/2014	6/1/2035	2.00 - 3.75%	13,605,000	-	13,605,000
3/1/2015	6/1/2030	2.00 - 3.00%	23,790,000	-	23,790,000
9/8/2016	6/1/2030	1.00 - 1.75%	9,610,000	7,820,000	1,790,000
6/4/2019	6/1/2035	2.00 - 2.85%	9,990,000	9,455,000	535,000
6/11/2020	6/1/2050	2.00 - 4.00%	<u>173,000,000</u>	<u>173,000,000</u>	<u>-</u>
Totals			<u>\$ 362,537,183</u>	<u>\$ 279,511,966</u>	<u>\$ 83,025,217</u>

Changes in long-term debt:

<u>Description</u>	<u>Balance June 30, 2019</u>	<u>Issued</u>	<u>Retired/Refunded</u>	<u>Balance June 30, 2020</u>
Bonds payable	<u>\$ 168,558,178</u>	<u>\$ 173,000,000</u>	<u>\$ 62,046,212</u>	<u>\$ 279,511,966</u>

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 5: Commitments (continued)

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

<u>Year ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2021	\$ 9,276,995	\$ 7,739,559	\$ 3,321,088	\$ 20,337,642
2022	2,599,971	7,707,857	3,193,278	13,501,106
2023	1,485,000	7,665,756	3,257,183	12,407,939
2024	1,530,000	7,617,656	3,257,183	12,404,839
2025	1,575,000	7,567,956	3,257,183	12,400,139
2026 - 2030	106,505,000	32,749,684	(15,152,325)	124,102,359
2031 - 2035	36,700,000	20,089,065	(1,133,590)	55,655,475
2036 - 2040	34,440,000	15,444,813	-	49,884,813
2041 - 2045	39,685,000	10,203,238	-	49,888,238
2046 - 2050	45,715,000	4,172,275	-	49,887,275
Totals	<u>\$ 279,511,966</u>	<u>\$ 120,957,859</u>	<u>\$ -</u>	<u>\$ 400,469,825</u>

Security for debt payments

Arkansas Code § 6-20-1204 specifies procedures to be followed if a school district is delinquent in payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Arkansas Department of Education (ADE). ADE will recover the amount of any delinquent payment by withholding of a school district's state funding or a direct payment from the school district. The District had no delinquent payments during the period of audit.

Note 6: Operating leases

At June 30, 2020, the District was in two leasing arrangements for a vehicle and certain office equipment. Subsequent to yearend, in July 2020, the District entered into an additional leasing arrangement for office equipment. Future minimum lease payments under these noncancelable lease are as follows:

2021	\$ 95,174
2022	17,753
2023	17,753
2024	17,753
2025	17,753
	<u>\$ 166,186</u>

Rental expense associated with these leases was approximately \$110,038 for the year ending June 30, 2020.

Note 7: Accounts payable

The accounts payable balance of \$712,306 at June 30, 2020 is as follows:

	<u>General fund</u>	<u>Special revenue fund</u>	<u>Capital projects fund</u>	<u>Total</u>
Vendor payables	<u>\$ 55,186</u>	<u>\$ 6,978</u>	<u>\$ 650,142</u>	<u>\$ 712,306</u>

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 8: Interfund transfers

The following details the transfers between governmental funds for operating purposes:

	<u>General fund</u>	<u>Special revenue fund</u>	<u>Capital projects fund</u>	<u>Debt service fund</u>	<u>Total</u>
Transfers in	\$ 750	\$ 262,861	\$ 119,642,710	\$ 12,899,502	\$ 132,805,823
Transfers out	<u>(13,162,363)</u>	<u>(750)</u>	<u>-</u>	<u>(119,642,710)</u>	<u>(132,805,823)</u>
	<u>\$ (13,161,613)</u>	<u>\$ 262,111</u>	<u>\$ 119,642,710</u>	<u>\$ (106,743,208)</u>	<u>\$ -</u>

Note 9: 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 or by calling 1-800-666-2877, or by visiting the ATRS website at www.artra.gov.

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's contributions to ATRS for nonfederally-funded employees for the years ended June 30, 2020, 2019, and 2018 were \$10,209,067, \$9,647,463, and \$9,233,886, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2020, 2019, and 2018 were \$485,900, \$470,837, and \$442,899, 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 at June 30, 2019 (actuarial valuation date and measurement date) was \$98,080,325.

FAYETTEVILLE SCHOOL DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 9: Retirement plans (continued)****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.

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 was \$6,276, \$9,741, and \$9,136, 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 at June 30, 2019 (actuarial valuation date and measurement date) was \$80,160.

Note 10: Subsequent events

The District has evaluated all subsequent events for potential recognition and disclosure through February 16, 2021, the date these financial statements were available to be issued.

Note 11: 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. The District carries commercial insurance for coverage of buildings' contents, board liability, theft, student accidents, bus drivers, and business trip accidental death and dismemberment.

Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The District is exposed to various risk 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 carries commercial insurance for coverage of buildings' contents, board liability, theft, student accidents, and bus drivers and business trip accidental death and dismemberment. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

FAYETTEVILLE SCHOOL DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 11: Risk management (continued)**

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 the fund's membership, obtain lower costs for 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 member premiums and will reissue through commercial carriers for claims in excess of specified stop loss amounts.

Note 12: Litigation and contingencies

The District participates in federally assisted grant programs. The 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 noncompliance 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.

The District participates in the Public-School Property and Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop and administer, on behalf of the member districts, a program of insurance to obtain lower costs for property and vehicle 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.

Note 13: On behalf payments

During the year ended June 30, 2020, health insurance premiums of \$1,999,177 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District employees.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

FAYETTEVILLE SCHOOL DISTRICT NO. 1
SCHEDULE OF CAPITAL ASSETS
YEAR ENDED JUNE 30, 2020
(Unaudited)

Nondepreciable capital assets:

Land	\$ 15,910,328
Construction in progress	<u>1,537,546</u>
Total nondepreciable capital assets	17,447,874

Depreciable capital assets:

Buildings and improvements	314,958,056
Furniture, equipment, vehicles and buses	<u>24,262,242</u>
Total depreciable capital assets	339,220,298

Less accumulated depreciation for:

Buildings and improvements	81,866,135
Furniture, equipment, vehicles and buses	<u>20,599,454</u>
Total accumulated depreciation	<u>102,465,589</u>

Total depreciable capital assets, net

236,754,709**Capital assets, net**\$ 254,202,583

FAYETTEVILLE SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

<u>Federal grant/pass-through grantor/program title</u>	<u>Pass through entity identifying number</u>	<u>Assistance listing number</u>	<u>Federal expenditures</u>
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	7203	10.553	\$ 516,897
COVID-19 School Breakfast Program - Cash Assistance	7203	10.553	97,515
After School Snack Program - Cash Assistance	7203	10.555	40,171
COVID-19 After School Snack Program - Cash Assistance	7203	10.555	2,782
Performance based reimbursement from child nutrition	7203	10.555	43,069
COVID-19 Performance based reimbursement from child nutrition	7203	10.555	3,346
National School Lunch Program - Cash Assistance	7203	10.555	1,373,105
COVID-19 National School Lunch Program - Cash Assistance	7203	10.555	<u>203,762</u>
Total Arkansas Department of Education			2,280,647
Passed through Arkansas Department of Human Services:			
National School Lunch Program - Non-Cash Assistance	7203	10.555	<u>304,862</u>
Total Child Nutrition Cluster			2,585,509
OTHER PROGRAMS:			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Human Services:			
Child and Adult Care Food Program	7203	10.558	853
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title I, Part A	7203	84.010	1,530,741
Migrant Education	7203	84.011	66,304
Title VI, Part B - Special Education Grants to States	7203	84.027	2,243,213
Education for Homeless Children and Youth	7203	84.196	24,239
Title III, English Language Acquisition	7203	84.365	55,309
Title II, Part A - Improving Teacher Quality	7203	84.367	327,347
COVID-19 Elementary and Secondary School Emergency Relief F	7203	84.425D	<u>126,698</u>
Total Arkansas Department of Education			4,373,851
Passed through Arkansas Department of Career Education:			
Adult Education State Grant Program	7203	84.002	118,320
Vocational Education - Basic Grants	7203	84.048	<u>125,637</u>
Total Arkansas Department of Career Education			<u>243,957</u>
Total U.S. Department of Education			4,617,808
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Human Services:			
(Child Care and Development Block Grant	7203	93.575	<u>750</u>
Total Other Programs			<u>4,619,411</u>
Total Expenditures of Federal Awards			<u>\$ 7,204,920</u>

FAYETTEVILLE 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 activities of Fayetteville School District No. 1 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 regulatory basis financial statements. The District did not elect to use the 10% de minimus indirect cost rate.
2. Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$766,007 are not covered by the reporting requirements of the Uniform Guidance.
3. Non-monetary assistance is reported at the approximate values as provided by the Arkansas Department of Human Services.

**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
Fayetteville School District No. 1
Fayetteville, 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 Fayetteville 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 16, 2021.

We issued an adverse opinion because the District prepared the financial statements in conformity with accounting practices prescribed or permitted by the 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 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 regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for determining 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.

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

H CJ CPAs & Advisors, PLLC

H CJ CPAs & Advisors, PLLC
Little Rock, Arkansas
February 16, 2021

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

To the Board of Education
Fayetteville School District No. 1
Fayetteville, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Fayetteville School District No. 1 (the "District") 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 each major federal program. However, our audit does not provide a legal determination on 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.

To the Board of Education
Page Two

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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
February 16, 2021

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

State Foundation Funding	\$ 27,763,164
98% Uniform Rate of Tax Actual Collection Adjustment	506,417
Curriculum Frameworks	432,745
Student Growth Funding	1,260,378
Professional Development Funding	279,653
Limited English Proficiency Allocation	279,105
Food Service State Matching	24,638
Special Education - Catastrophic Occurrences	377,584
Alternative Learning	1,119,155
National School Lunch Student Funding	2,072,500
National School Lunch Match Grant Program	22,567
Arkansas Better Chance Program	536,328
Child Supervision Extended School Year Funding	53,280
Children without Disabilities - Residential Treatment	133,433
Children with Disabilities - Residential Treatment	44,988
School Recognition Awards	334,400
Gifted & Talented - Advance Placement	54,750
Career New Program Start-up	13,488
Governor's Computer Science Grant	9,100
Residential Centers / Juvenile Detention	248,364
Residential Treatment	37,915
	<hr/>
Total Arkansas Department of Education	35,603,952

Arkansas Game and Fish

AR Game and Fish	1,375
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Arkansas Department of Workforce Education

Adult Basic Education	512,033
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Arkansas Department of Career Education

SVAC Funding	24,104
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Total State Assistance	<u><u>\$ 36,141,464</u></u>
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FAYETTEVILLE SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020

A. SUMMARY OF AUDITORS' RESULTS

1. Our report expresses an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on a regulatory basis of accounting on the basic financial statements of Fayetteville School 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 Uniform Guidance? Yes No

7. The Auditee's major programs were:

Cluster/Program	Assistance Listing Number(s)
• Title VI, Part B – Special Education Grants to States	84.027

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

FAYETTEVILLE 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 Uniform Guidance?

Yes

No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

NONE

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES

U.S. Department of Agriculture Passed through Arkansas Department of Education and Arkansas Department of Human Services

Child Nutrition Cluster: National School Lunch Program: Assistance Listing Number #10.555, School Breakfast Program: Assistance Listing Number #10.553

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

Title I, Part A – Grants to Local Education Agencies #84.010

2019-001 Completion of Time Certifications

Statement of Condition: Time certifications for the National School Lunch Program and School Breakfast Program and the Title I, Part A program were not completed or were incorrectly completed.

Recommendation: To ensure all time certifications are completed by employees who terminate, time certifications should be included and completed in the employee termination process.

Current Status: The recommendation was implemented in 2019. No similar findings were noted in the 2020 audit.

U.S. Department of Agriculture Passed through Arkansas Department of Education and Arkansas Department of Human Services

Child Nutrition Cluster: National School Lunch Program: Assistance Listing Number #10.555, School Breakfast Program: Assistance Listing Number #10.553

2019-002 Approval of Time Certifications

Statement of Condition: The time certification for the director of the National School Lunch Program and School Breakfast Program and the Title I, Part A program was improperly approved by the director.

FAYETTEVILLE SCHOOL DISTRICT NO. 1**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)****YEAR ENDED JUNE 30, 2020****D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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

Current Status: The recommendation was implemented in 2019. No similar findings were noted in the 2020 audit.

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

To the Board of Education
Fayetteville School District No. 1
Fayetteville, Arkansas

We have examined management's assertions that Fayetteville School District No. 1 substantially complied with the requirements of Ark. Code Ann. § 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 made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence supporting the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, Fayetteville School District No. 1 complied with the aforementioned requirements for the year ended June 30, 2020.

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.

HCA CPAs & Advisors, PLLC

HCA CPAs & Advisors, PLLC
Little Rock, Arkansas
February 16, 2021

FAYETTEVILLE 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)	6-20-401
• 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

FAYETTEVILLE 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>
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) (Act 867 of 2020)
Real Estate and Personal Property Tax Appeals	26-35-802 (Act 657 of 2020)
Arkansas Procurement Law	19-11-201 et. Seq.
Fiscal Accountability	6-20-1906 et. Seq (Act 929 of 2020)
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

FAYETTEVILLE SCHOOL DISTRICT NO. 1**SUPPLEMENTAL DATA SHEET AS REQUIRED BY ARKANSAS DEPARTMENT OF
HEALTH AND HUMAN SERVICES AUDIT GUIDELINES****YEAR ENDED JUNE 30, 2020****(Unaudited)**

The following information is being provided to satisfy the requirements of Arkansas Department of Health and Human Services Audit Guidelines, Section IX. C - Special Requirements:

1. Entity's Full Name: Fayetteville School District No. 1 of Washington County
2. Entity's Address: 1000 W. Bulldog Blvd.
Fayetteville, AR 72701
3. Entity's FEIN: 71-6021514
4. Entity's Telephone Number: (479) 444-3000
5. Name of Director: Dr. John L Colbert, Superintendent
6. Name of Contact Person: Glenda Sullins, Director of Finance and Business Services