

**SPRINGDALE SCHOOL DISTRICT NO. 50
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
Springdale School District No. 50
Springdale, 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 Springdale School District No. 50 (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 Arkansas Code § 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 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, and the respective 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* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of capital assets, schedule of state assistance, schedule of unit of service - Child and Adult Care Food Program and the supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines Section are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

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.

To the Board of Education
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The schedule of capital assets, schedule of units of service – Child and Adult Care Food Program and supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines Section 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 March 4, 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 the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

H CJ CPAs & Advisors, PLLC

Little Rock, Arkansas
March 4, 2021

SPRINGDALE SCHOOL DISTRICT NO. 50

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	\$ 27,333,945	\$ 12,936,960	\$ 36,741,044	\$ 1,369,319
Cash held with fiscal agent	-	-	901,880	-
Accounts receivable	235,607	890,704	-	-
Due from other funds	882,763	32,234	-	-
Total assets	<u>\$ 28,452,315</u>	<u>\$ 13,859,898</u>	<u>\$ 37,642,924</u>	<u>\$ 1,369,319</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 926,245	\$ 103,592	\$ 1,795,101	\$ -
Accrued expenses	2,942,136	-	-	-
Due to other funds	-	914,997	-	-
Due to student /other groups	-	-	-	1,369,319
Total liabilities	3,868,381	1,018,589	1,795,101	1,369,319
Fund balances:				
Restricted:				
State programs	4,767,294	-	-	-
Federal programs	-	12,841,309	-	-
Debt service	-	-	901,880	-
Assigned:				
Capital projects	-	-	34,945,943	-
Unassigned	19,816,640	-	-	-
Total fund balances	<u>24,583,934</u>	<u>12,841,309</u>	<u>35,847,823</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 28,452,315</u>	<u>\$ 13,859,898</u>	<u>\$ 37,642,924</u>	<u>\$ 1,369,319</u>

See accompanying notes.

SPRINGDALE SCHOOL DISTRICT NO. 50

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

YEAR ENDED JUNE 30, 2020

	<u>Major</u>		
	<u>General fund</u>	<u>Special revenue fund</u>	<u>Other governmental funds</u>
REVENUES			
Property taxes	\$ 65,679,241	\$ -	\$ -
Interest	-	-	1,703,648
State revenues	139,204,627	92,691	6,501,256
Federal revenues	-	29,420,454	-
Food services	-	1,560,377	-
Other	616,092	59,117	641,292
	<u>205,499,960</u>	<u>31,132,639</u>	<u>8,846,196</u>
EXPENDITURES			
Current:			
Instruction and instructional-related services	118,795,373	10,014,431	447,337
Support services	68,096,417	8,416,196	466,415
Non-instructional services	134,540	12,573,119	1,786,675
Other	1,319	-	-
Debt service:			
Principal	-	-	5,315,000
Interest	-	-	6,697,434
Paying agent's fees	-	-	7,140
Capital outlay	<u>3,005,873</u>	<u>219,640</u>	<u>24,456,578</u>
	<u>190,033,522</u>	<u>31,223,386</u>	<u>39,176,579</u>
Excess (deficiency) of revenues over expenditures	15,466,438	(90,747)	(30,330,383)
OTHER FINANCING (USES) SOURCES			
Gain on sale of assets	76,310	-	-
Indirect costs	247,788	(247,788)	-
Transfers, net	(16,116,752)	-	16,116,752
Total other financing (uses) sources	<u>(15,792,654)</u>	<u>(247,788)</u>	<u>16,116,752</u>
Net change in fund balances	(326,216)	(338,535)	(14,213,631)
Fund balance - beginning	<u>24,910,150</u>	<u>13,179,844</u>	<u>50,061,454</u>
Fund balance - ending	<u>\$ 24,583,934</u>	<u>\$ 12,841,309</u>	<u>\$ 35,847,823</u>

See accompanying notes.

SPRINGDALE SCHOOL DISTRICT NO. 50

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	\$ 69,215,000	\$ 65,679,241	\$ (3,535,759)
State revenues	135,161,156	139,204,627	4,043,471
Federal revenues	-	-	-
Food services	-	-	-
Other	<u>680,000</u>	<u>616,092</u>	<u>(63,908)</u>
	205,056,156	205,499,960	443,804
EXPENDITURES			
Current:			
Instruction and instructional-related services	122,573,568	118,795,373	3,778,195
Support services	73,343,947	68,096,417	5,247,530
Non-instructional services	253,200	134,540	118,660
Other	-	1,319	(1,319)
Capital outlay	<u>1,869,977</u>	<u>3,005,873</u>	<u>(1,135,896)</u>
	<u>198,040,692</u>	<u>190,033,522</u>	<u>8,007,170</u>
Excess of revenues over expenditures	7,015,464	15,466,438	8,450,974
OTHER FINANCING SOURCES (USES)			
Gain on sale of assets	-	76,310	76,310
Indirect costs	263,000	247,788	(15,212)
Transfers, net	<u>(12,120,934)</u>	<u>(16,116,752)</u>	<u>(3,995,818)</u>
Net change in fund balances	<u>\$ (4,842,470)</u>	<u>\$ (326,216)</u>	<u>\$ 4,516,254</u>

See accompanying notes.

Special Revenue Fund		
Budget	Actual	Variance
\$ -	\$ -	\$ -
92,000	92,691	691
33,812,678	29,420,454	(4,392,224)
2,000,000	1,560,377	(439,623)
-	59,117	59,117
<u>35,904,678</u>	<u>31,132,639</u>	<u>(4,772,039)</u>
11,824,674	10,014,431	1,810,243
8,922,475	8,416,196	506,279
12,582,580	12,573,119	9,461
-	-	-
218,337	219,640	(1,303)
<u>33,548,066</u>	<u>31,223,386</u>	<u>2,324,680</u>
2,356,612	(90,747)	(2,447,359)
-	-	-
(259,679)	(247,788)	11,891
-	-	-
<u>\$ 2,096,933</u>	<u>\$ (338,535)</u>	<u>\$ (2,435,468)</u>

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies

Reporting entity

The Springdale School District No. 50 (the "District") operates schools for students in grades Pre-Kindergarten through twelve in Springdale, 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. 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 District.

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 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.

SPRINGDALE SCHOOL DISTRICT NO. 50

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.

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 financial 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

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Interfund receivables and payables

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

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 \$22,200,000 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.

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 does not have any nonspendable fund balance at year end.
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.

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 1: Summary of significant accounting policies (continued)

Fund balance classifications (continued)

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 significant variance between budgeted amounts and actual amounts for property taxes are due to delays in the distribution of Washington County property tax notices in 2020 resulting in delays in the timing of receipts of payments of property taxes. 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.

Subsequent events

The District has evaluated all subsequent event for potential recognition and disclosure through March 4, 2021, the date these financial statements were available to be issued.

SPRINGDALE SCHOOL DISTRICT NO. 50

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:

	Carrying amount	Bank balance
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized - held by pledging bank or pledging bank's trust department in the District's name	78,131,268	85,799,712
Total deposits	\$ 78,381,268	\$ 86,049,712

Note 3: Cash held with fiscal agent

Cash held with fiscal agent includes funds held in escrow totaling \$901,880 that represent sinking fund deposits for Qualified School Construction Bonds and are required to be used for future principal payments. The balance is held at a financial institution in Arkansas and is insured by the FDIC up to \$250,000. The remaining amount in excess of FDIC insurance of \$651,880 at June 30, 2020, is collateralized by pledged securities held by the bank.

Note 4: Accounts receivable

The account receivable balance of \$1,126,311 is comprised of the following at June 30, 2020:

Class of receivable	General fund	Special revenue fund	Other governmental funds	Total
Due from other governments	\$ 235,607	\$ 890,704	\$ -	\$ 1,126,311

Note 5: Commitments

Construction commitments

The District was contractually obligated for two construction contracts related to construction and renovation projects within the District, with remaining contract balances of approximately \$7,100,000 at June 30, 2020.

SPRINGDALE SCHOOL DISTRICT NO. 50

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:					
9/27/2011	9/27/2021	4.48%	\$ 1,115,456	\$ 1,115,456	\$ -
9/20/2012	6/1/2041	2.00 – 3.70%	37,025,000	30,140,000	6,885,000
11/1/2011	6/1/2041	0.85 – 3.65%	3,465,000	2,840,000	625,000
9/1/2015	6/1/2041	3.00 – 3.75%	22,810,000	20,985,000	1,825,000
3/1/2017	6/1/2041	3.25 – 5.00%	<u>123,010,000</u>	<u>118,380,000</u>	<u>4,630,000</u>
Totals			<u>\$ 187,425,456</u>	<u>\$ 173,460,456</u>	<u>\$ 13,965,000</u>

Changes in long-term debt:

<u>Description</u>	<u>Balance June 30, 2019</u>	<u>Issued</u>	<u>Refunded/Retired</u>	<u>Balance June 30, 2020</u>
Bonds payable	\$ 177,660,000	\$ -	\$ 5,315,000	\$ 172,345,000
Qualified School Construction Bonds	<u>1,115,456</u>	<u>-</u>	<u>-</u>	<u>1,115,456</u>
Totals	<u>\$ 178,775,456</u>	<u>\$ -</u>	<u>\$ 5,315,000</u>	<u>\$ 173,460,456</u>

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	\$ 5,535,000	\$ 6,521,006	\$ 12,056,006
2022	6,870,456	6,284,579	13,155,035
2023	6,000,000	5,987,806	11,987,806
2024	6,255,000	5,729,757	11,984,757
2025	6,480,000	5,501,432	11,981,432
2026 - 2030	36,050,000	23,872,597	59,922,597
2031 - 2035	42,910,000	17,128,573	60,038,573
2036 - 2040	51,745,000	8,441,219	60,186,219
2041	<u>11,615,000</u>	<u>444,853</u>	<u>12,059,853</u>
Totals	<u>\$ 173,460,456</u>	<u>\$ 79,911,822</u>	<u>\$ 253,372,278</u>

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

Note 6: Accounts payable and accrued expenses

The accounts payable balance of \$2,824,938 is fully comprised of vendor payables at June 30, 2020. Accrued expenses totaling \$2,942,136 include payroll taxes and payroll benefits payable at June 30, 2020.

Note 7: Operating lease

The District leases office equipment under a non-cancelable operating lease with an original term of 5 years which will be charged to expense over the lease term as it becomes payable. The lease agreement was extended another year through July 2021. Lease expense totaled approximately \$112,691 for the year ending June 30, 2020.

At June 30, 2020, the minimum rental commitment under the non-cancelable operating lease is \$85,539 for the year ending June 30, 2021.

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>Other governmental funds</u>	<u>Total</u>
Transfers in	\$ 260,668,191	\$ 32,234	\$ 35,275,793	\$ 295,976,218
Transfers out	<u>(276,784,943)</u>	<u>(32,234)</u>	<u>(19,159,041)</u>	<u>(295,976,218)</u>
	<u>\$ (16,116,752)</u>	<u>\$ -</u>	<u>\$ 16,116,752</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 nonteachers 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.

SPRINGDALE SCHOOL DISTRICT NO. 50**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 9: Retirement plans****Arkansas Teacher Retirement System**

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 \$19,369,925, \$18,498,817, and \$17,993,492 respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2020, 2019, and 2018 were \$1,944,289, \$1,959,936 and \$1,714,375, 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 \$198,069,189.

Note 10: 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 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.

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.

SPRINGDALE SCHOOL DISTRICT NO. 50**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2020****Note 11: 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.

Note 12: On behalf payments

During the year ended June 30, 2020, health insurance premiums of \$3,633,082 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District employees.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

SPRINGDALE SCHOOL DISTRICT NO. 50

SCHEDULE OF CAPITAL ASSETS

YEAR ENDED JUNE 30, 2020

(Unaudited)

Nondepreciable capital assets:

Land	\$ 22,496,673
Construction in progress	28,921,387
	51,418,060
Total nondepreciable capital assets	

Depreciable capital assets:

Site improvements	13,054,912
Buildings	342,280,898
Machinery and equipment	38,397,585
	393,733,395
Total depreciable capital assets	

Less accumulated depreciation for:

Site improvements	3,518,873
Buildings	96,647,298
Machinery and equipment	22,909,039
	123,075,210
Total accumulated depreciation	

Total depreciable capital assets, net	270,658,185
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Capital assets, net	\$ <u><u>322,076,245</u></u>
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SPRINGDALE SCHOOL DISTRICT NO. 50
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
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	7207	10.553	\$ 2,828,644
COVID-19 School Breakfast Program - Cash Assistance	7207	10.553	139,476
After School Snack Program - Cash Assistance	7207	10.555	37,593
Performance Based Reimbursement from Child Nutrition	7207	10.555	158,277
COVID-19 Performance Based Reimbursement from Child Nutrition	7207	10.555	4,430
National School Lunch Program - Cash Assistance	7207	10.555	6,514,750
COVID-19 National School Lunch Program - Cash Assistance	7207	10.555	<u>217,050</u>
Total Arkansas Department of Education			9,900,220
Passed through Arkansas Department of Human Services:			
National School Lunch Program - Non-Cash Assistance	7207	10.555	<u>1,128,518</u>
Total Arkansas Department of Human Services			1,128,518
Total Child Nutrition Cluster			<u>11,028,738</u>
OTHER PROGRAMS:			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Human Services:			
Child and Adult Care Food Program	7207	10.558	311,971
Passed through Arkansas Department of Education:			
Fresh Fruit and Vegetable Program	7207	10.582	<u>115,672</u>
Total U.S. Department of Agriculture			<u>427,643</u>
<u>U.S. Department of Education</u>			
Direct programs:			
Rehabilitation Services Vocational Rehabilitation	N/A	84.126	<u>3,063</u>
Total Direct programs			3,063
Passed through Arkansas Department of Career Education:			
Carl D. Perkins Career and Education Act - Basic Grants	7207	84.048	<u>226,701</u>
Total Basic Grants			226,701
Passed through Arkansas Department of Education:			
Title I, Part A - Grants to Local Education Agencies	7207	84.010	5,932,830
Title I, Part D - Neglected and Delinquent Children	7207	84.010	<u>124,784</u>
Total Title I			6,057,614
Migrant Education	7207	84.011	240,973
Title VI - Part B - Special Education Grants to States	7207	84.027	4,081,471
Title IV - B, 21st Century Community Learning Centers	7207	84.287	577,152
Title III, English Language Acquisition	7207	84.365	706,421
Title III, Migrant	7207	84.365	20,508
Title II, Part A - Improving Teacher Quality	7207	84.367	776,736
Education for Homeless Children and Youth	7207	84.196	25,973
Student Support and Academic Enrichment Grants	7207	84.424A	9,900
COVID-19 Elementary and Secondary School Emergency Relief Fund	7207	84.425D	<u>24,723</u>
Total Arkansas Department of Education			<u>12,521,471</u>
Total U.S. Department of Education			<u>12,751,235</u>

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
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>
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Education:			
Temporary Assistance for Needy Families	7207	93.558	2,600,000
Comprehensive School Health - Aids Education Act	7207	93.981	15,333
Passed through Arkansas Department of Human Services:			
Child Care and Development Block Grant	7207	93.575	<u>1,814,228</u>
Total U.S. Department of Health and Human Services			<u>4,429,561</u>
Total Other Programs			<u>17,608,439</u>
Total Expenditures of Federal Awards			<u>\$ 28,637,177</u>

NOTES TO 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 the 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 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 \$749,456 are not covered by the reporting requirements of the Uniform Guidance.
3. Nonmonetary assistance is reported at the approximate value 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
Springdale School District No. 50
Springdale, 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 Springdale School District No. 50 (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 March 4, 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 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 laws, 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 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 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
March 4, 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
Springdale School District No. 50
Springdale, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Springdale School District No. 50 (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 auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the 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 Districts' 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness and items 2020-002 and 2020-003 that we consider to be significant deficiencies.

To the Board of Education
Page Three

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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
March 4, 2021

SPRINGDALE SCHOOL DISTRICT NO. 50**SCHEDULE OF STATE ASSISTANCE****YEAR ENDED JUNE 30, 2020****Arkansas Department of Education**

State Foundation Funding	\$ 108,256,462
DS Fund	1,005,033
Student Growth Funding	1,190,750
State Partnership Funding	6,501,256
Professional Development Funding	599,454
LEP Allocation	2,774,145
Food Service State Matching	92,691
Special Education - Catastrophic Occurrences	490,514
Alternative Learning	2,360,457
National School Lunch Student Funding	16,271,582
National School Lunch Matching Grant	338,953
Arkansas Better Chance Program	732,385
Tobacco Excise Grant	60,000
AP Exam Award	49,596
Wellness Center	120,000
Extended School Year Funding	93,462
Child Supervision Extended School Year Funding	95,083
98% URT	352,882
Arkansas School Recognition	629,700
Residential Treatment	1,628,716
Governor's Computer Science Grant	9,200
Youth Shelter	15,000
Curriculum Frameworks	1,737,075
AR Kids Code Awards	10,000
Exceptional Child Grant	3,000
	<hr/>
	145,417,396

Arkansas Department of Career Education

SVAC Funding	110,229
VOC New Program Start-Up	270,949
	<hr/>
Total State Assistance	\$ 145,798,574
	<hr/> <hr/>

SPRINGDALE SCHOOL DISTRICT NO. 50

SCHEDULE OF UNITS OF SERVICE - CHILD AND ADULT CARE FOOD PROGRAM

**YEAR ENDED JUNE 30, 2020
(UNAUDITED)**

<u>Month</u>	<u>Meals Served</u>			
	<u>Breakfast</u>	<u>Lunch</u>	<u>Dinner</u>	<u>Snack</u>
July 2019	-	-	-	-
August 2019	-	-	301	13,051
September 2019	-	-	7,574	22,981
October 2019	-	-	11,813	24,870
November 2019	-	-	7,287	18,272
December 2019	-	-	6,563	17,356
January 2020	-	-	6,563	20,415
February 2020	-	-	9,938	22,978
March 2020	-	-	4,831	11,488
April 2020	-	-	-	-
May 2020	-	-	-	-
June 2020	-	-	-	-
Total	<u>-</u>	<u>-</u>	<u>54,870</u>	<u>151,411</u>

SPRINGDALE SCHOOL DISTRICT NO. 50
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 Springdale School District No. 50.

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)
• Child Nutrition Cluster	10.553 and 10.555
• Child Care and Development Block Grant	93.575
• Temporary Assistance for Needy Families	93.558

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$859,115.

SPRINGDALE SCHOOL DISTRICT NO. 50

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

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

MATERIAL WEAKNESS

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

Temporary Assistance for Needy Families: Assistance Listing Number 93.558

2020-001 Eligibility Determination

Statement of Condition: Eligibility determination performed by District management for the Temporary Assistance for Needy Families was performed incorrectly.

Criteria: Per the terms and conditions of the award document for the Temporary Assistance for Needy Families program, eligibility for this program is for children three to four years old and the gross family income of the child is below or equal to the 200% federal poverty level and sliding scale. The District is responsible for determining eligibility and has procedures in place to determine eligibility.

Cause of condition: Procedures are in place to determine eligibility but are ineffective due to incorrect application of the program's definition of gross family income.

Effect of condition: During testing, it was noted that eligibility was not properly determined by District staff.

Context: For the Temporary Assistance for Needy Families program, a sample of 100 children was selected to test program eligibility controls and compliance. The audit testing found 11 discrepancies related to the controls for eligibility which resulted in 3 instances of noncompliance.

Recommendation: Ensure all staff performing eligibility determination are properly informed of eligibility requirements or establish review procedure in which individuals with proper knowledge review all eligibility determination documentation prior to making determination.

SPRINGDALE SCHOOL DISTRICT NO. 50

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT (CONTINUED)

Views of responsible officials and planned corrective actions: The District agrees with the finding and staff members have been retrained with regards to determining student eligibility in the TANF program. The Director of Pre K will review and verify staff members' work regarding eligibility.

SIGNIFICANT DEFICIENCIES

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

Temporary Assistance for Needy Families: Assistance Listing Number 93.558

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

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

2020-002 Completion of Time Certifications

Statement of Condition: Although payroll reports supporting employees' work in the Temporary Assistance for Needy Families (TANF) and Child Nutrition Cluster programs were available for inspection, time certifications were not completed for 1 out of 40 employees tested for TANF and 1 out of 21 employees tested for Child Nutrition Cluster.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.430 (i)(1) (v) requires that charges to federal awards for salaries and wages must be based on records that comply with the established accounting policies and practices of the District and be supported by personnel time and effort reports. Such records may include personnel activity reports, including prescribed certifications, or equivalent documentation. Per the District's policies, time certifications over federal expenditures should be properly completed by the appropriate personnel.

Cause of condition: Procedures are in place for personnel to complete time certifications at the end of each school semester if employees work 100% in one program or monthly if the employee spends time within multiple programs. However, the District did not properly monitor time and effort record completion and maintenance for employees who terminated or changed positions mid-semester or mid-month.

Effect or potential effect of condition: The District was not able to provide required documentation substantiating all time charged to TANF and Child Nutrition Cluster programs.

Context: For the TANF program, a sample of 40 payroll transactions were selected to test controls related to allowable costs. The audit testing found 1 discrepancy related to the time certifications in which the time certification was not completed. For the Child Nutrition Cluster a sample of 21 payroll transactions was selected to test controls related to allowable costs. The audit testing found 1 discrepancy related to the time certifications in which the time certification was not completed.

SPRINGDALE SCHOOL DISTRICT NO. 50

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2020

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT (CONTINUED)

Recommendation: To ensure all time certifications are completed by employees who work within federal programs, a review of completed time certifications should be compared to the employee listing for all federal program employees and procedures should be put in place to collect time certifications during the employee termination or transfer of position process.

Views of responsible officials and planned corrective actions: The District agrees with the finding and will obtain time certifications on all federally paid employees.

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

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

2020-003 Approval of Time Certifications

Statement of Condition: The time certification for the director of the Child Nutrition Cluster programs was improperly approved by the director him/herself.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.430 (i)(1) (i) requires that salaries and wages charged to federal awards must be supported by system of internal controls that provide reasonable assurance that the charges are accurate, allowable, and properly allocated. Self-approved time certifications do not qualify as reasonable assurance of accurately charged salary and wages.

Cause of condition: Procedures are in place for proper approval of time certifications for personnel of the program by the program director, but procedures are not in place for proper approval of the program director's time certification.

Effect or potential effect of condition: During testing, it was noted that the time certification for the director of the Child Nutrition Cluster programs was completed and approved by the director him/herself.

Context: For the Child Nutrition Cluster programs a sample of 21 payroll transactions were selected to test controls related to allowable costs. One discrepancy related to the approval of time certifications was noted in testing.

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.

Views of responsible officials and planned corrective actions: The District agrees with the finding, and time certifications of the Director of Child Nutrition will be approved by a superior District officer to the Director of Child Nutrition.

SPRINGDALE SCHOOL DISTRICT NO. 50**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)****YEAR ENDED JUNE 30, 2020****C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT (CONTINUED)****D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS****U.S. Department of Education Passed through Arkansas Department of Human Services****Preschool Development Grants – High Quality Preschool Programs: Assistance Listing Number 84.419****U.S. Department of Health and Human Services Passed through Arkansas Department of Education****Temporary Assistance for Needy Families: Assistance Listing Number 93.558****Material Weakness****2019-001 Maintaining Supporting Documentation**

Statement of Condition: To enroll an eligible child, the parent or guardian shall furnish documentation of eligibility and other required information, including household income and household member information. A list of all acceptable documentation will be published annually by the Arkansas Department of Human Services Division of Child Care and Early Childhood Education (DCCECE). Children of parents or guardians refusing to furnish required information shall be deemed ineligible for participation. Programs are responsible for verifying eligibility before the child attends and shall maintain copies of eligibility documentation in the child's record.

Recommendation: To ensure proper records are maintained, after determining eligibility requirements have been satisfied for these programs, supporting documentation should be maintained in an organized fashion for a minimum of five years. This process should be done to support any testing that needs to be performed or questions that arise from the public or any government agencies.

Current Status: The recommendation was implemented in 2019. No similar findings were noted in the June 30, 2020 audit.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Education
Springdale School District No. 50
Springdale, Arkansas

We have examined management's assertions that Springdale School District No. 50 (the "District") 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, Springdale School District No. 50 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.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
March 4, 2021

SPRINGDALE SCHOOL DISTRICT NO. 50
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	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	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 and 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

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2020 (CONTINUED)

<u>DESCRIPTION</u>	<u>STATUTES</u>
Use of DM&O Millage	26-80-110
On Behalf Payments	The amounts of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District 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.
Limitation on Fund Balances	6-20-2210 (Waived for 2019 – 2020 only)
Fiscal Accountability	6-20-1901 et seq.
Enhanced Student Achievement Funding ESA	6-20-2305(B)(4)(F)(I)
CARES ACT (COVID-19) Education Training	Commissioner's Memo LS-20-089

SPRINGDALE SCHOOL DISTRICT NO. 50**SUPPLEMENTAL DATA SHEET****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:

1. Entity's Full Name: Springdale School District No. 50 of Washington County
2. Entity's Address: P.O. Box 8
Springdale, AR 72765
3. Entity's FEIN: 71-6021364
4. Entity's Telephone Number: (479) 750-8804
5. Name of Director: Dr. Jared Cleveland, Superintendent
6. Name of Contact Person: Kelly Hayes, Deputy Superintendent/Finance