



Guy-Perkins School District

492 Highway 25 North

Guy, Arkansas 72061

501-679-7224

www.gptbirds.org

November 10, 2022

Dear State Board of Education,

This letter is to address the requirements set forth in Arkansas Code Title 6 Education §6-13-1613 – Minimum School District Size Waiver.

- (1) The Guy-Perkins School Board voted unanimously (5-to-0) to respectfully petition the Arkansas State Board of Education for a waiver from the average daily membership requirement of three hundred fifty (350) students. Attached is a signed Board resolution dated September 15, 2022.
- (2) In Commissioner's Memo - COM-23-038 - dated November 2, 2022, the Guy-Perkins School District was placed on the Administrative Consolidation List by the Department of Elementary and Secondary Education under §6-13-1602 and §6-13-1613(2). This waiver request is being made prior to the thirty (30) day limit.
- (3) A. The average daily membership of Guy-Perkins School District:

2018-19 ADM (Qtrs. 1-3 Avg.)	332.55
2019-20 ADM (Qtrs. 1-3 Avg.)	330.02
2020-21 ADM (Qtrs. 1-3 Avg.)	292.64
2021-22 ADM (1 st Quarter)	297.26
- (3) B. As of November 10, 2022 Guy-Perkins School District was not in probationary status for any violation of the Standards for Accreditation of Arkansas Public School and School Districts.
- (3) C. Please find attached a copy of:
 - a. The Guy-Perkins Annual Financial Report - Budget Level I
 - b. The Guy-Perkins Budget Summary

c. The Guy-Perkins Fiscal Audits

i. September 3, 2021

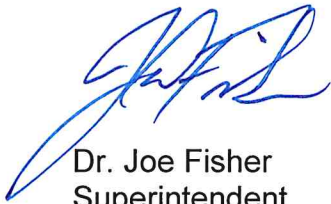
ii. July 8, 2022

(3) D. Guy-Perkins School District is not currently classified in academic distress; fiscal distress; or facilities distress. Please find attached a statement of assurance from the:

- a. Guy-Perkins Superintendent – Dr. Joe Fisher
- b. Division of Public School Academic Facilities and Transportation

Thank you for your consideration regarding our petition to request a waiver from the average daily membership requirement of three hundred fifty (350) students. Should any further documents be required, please feel free to contact me.

Respectfully Submitted,



Dr. Joe Fisher
Superintendent
Guy-Perkins School District
joe.fisher@gptbirds.org
501-679-7224 office
870-404-6410 cell

LEA: 2304

County: FAULKNER

District: GUY-PERKINS

Preliminary

State Aid Notice 2022-2023

July 27, 2022

Refer to corresponding Commissioner's

Memo for additional information.

DATA							
1.	2021 Real Assessment	\$	28,854,540	15.	Initial Per-Student Revenue	\$	4,224.77
2.	2021 Personal Assessment	\$	11,620,280	16.	Initial Per-Student Foundation Funding Amount	\$	7,413.00
3.	2021 Utility Assessment	\$	9,504,408	17.	Initial Per-Student State Foundation Funding Aid	\$	3,188.23
4.	2021 Total Assessment	\$	49,979,228	18.	PY ALE FTEs (Qtrs. 1-4)		8,016851
5.	98% of URT X Assessment	\$	1,224,491.09	19.	CY English Language Learner Students		198
6.	Net Revenues	\$		20.	PY ESA Students (NSL Free and Reduced)		94,185.00
7.	2021 Calendar Year Calc. Misc. Funds ¹ - R	\$	15	21.	Adjusted 1/1/05 Scheduled Debt Payment	\$	0.00000
8.	2022 Calendar Year Calc. Misc. Funds ¹ - R	\$		22.	State Wealth Index for Bonded Debt Assistance		
9.	2020-21 ADM (Qtrs. 1-3 Avg.)		292.64	23.	PY ADM of Isolated School Area		0
10.	2021-22 ADM (Qtrs. 1-3 Avg.)		289.84	24.	Isolated Funding Amount Per Student 6-20-603	\$	46.74
11.	2021-22 ADM (Qtr. 4) for SGF		286.37	25.	District Square Miles		42.00
12.	2022-23 ADM (Qtr. 1) for SGF			26.	District Total Millage Rate in effect as of 1/1/21		42.00
13.	2022-23 ADM (Qtr. 2) for SGF			27.	District Total Millage Rate in effect as of 1/1/22		
14.	2022-23 ADM (Qtr. 3) for SGF						

FUNDING

Funding Category		Amount	Statutory Code/Acts of 2022	Restricted	Revenue Code	Fund/SOF Code
28.	State Foundation Funding Aid (\$7,413)	\$	6-20-2303, 6-20-2305, 6-20-2308, Act 111	No	31101	2001
29.	98% of URT X Assessment less Net Revenues ²	\$	6-20-2303, 6-20-2305	No	31103	2001
30.	Educational Excellence Trust Funds ³ - R	\$	6-5-301 et seq.	Yes		
31.	Alternative Learning Environment (\$4,890) - R	\$	6-20-2303, 6-20-2305	Yes	32370	2275
32.	English Language Learners (\$366) - R	\$	6-20-2303, 6-20-2305	Yes	32371	2276
33.	ESA Funding ⁴ (\$538 / \$1,076 / \$1,613) - R	\$	6-20-2303, 6-20-2305, Act 217	Yes	32381	2281
34.	ESA Rate - R	\$	6-20-2305	Yes	32381	2281
35.	ESA Funding Withholding ⁴	\$	6-20-2305			
36.	ESA Growth Funding ⁴ - R	\$	6-20-2305	Yes	32381	2281
37.	Professional Development (\$37.50) - R	\$	6-20-2303, 6-20-2305	Yes	32256	2223
38.	Bonded Debt Assistance (\$18.03) - R	\$	6-20-2503	Yes	32915	2001
39.	Isolated Funding	\$	6-20-601, 6-20-603	Yes	31500	2212
40.	Special Needs Isolated Funding	\$	6-20-604 (c), (d) & (e)	Yes	31500	2212
41.	Special Needs Small District Funding	\$	6-20-604 (f)	No	32249	2920
42.	Special Needs Isolated Transportation	\$	6-20-604 (h)	Yes	32248	2228
43.	Declining Enrollment Funding ⁵ - R	\$	6-20-2305	No	31460	2218
44.	Declining Enrollment Adequacy	\$	6-20-2305	No	31460	2218
45.	Student Growth - PYQtr. 4 + CYQtrs. 1, 2 & 3 ⁵ - R	\$	6-20-2303 & 2305	No	31450	2217
46.	Enhanced Transportation Funding	\$	6-20-2309	No	31400	2222
47.	Teacher Salary Equalization Funding (\$185)	\$	6-20-2305 (b) (6)	Yes	32204	2001

ACA-Arkansas code annotated, ADM-average daily membership, ALE-alternative learning environment, Avg.-average, Calc.-calculated, CY-current year, ESA-enhanced student achievement, FTE-full-time equivalent, FY-fiscal year, LEA-local education agency, Misc.-miscellaneous, NSL-national school lunch, PY-prior year, Qtr.-quarter, R-state board rule, SFFA-state foundation funding aid, SGF-student growth funding, SOF-source of fund, URT-uniform rate of tax

1) Miscellaneous funds are defined and calculated as per ACA § 6-20-2303 (12), ACA § 6-20-2308, and ACA § 6-20-2503 (a) (3).

2) Negative funding amounts for 98% of URT X assessment less net revenues indicate funds owed to the state. For those districts receiving SFFA, the negative amount is deducted from SFFA.

3) Educational excellence trust funds are included in foundation funding and are restricted pursuant to ACA § 6-5-307.

4) Line 33-ESA funding is inclusive of transitional funding. 2022-23 ESA funding is pursuant to Act 217 of 2022, Section 33, "for Fiscal Year 2023, a public school district shall not receive less Enhanced Student Achievement Funding than the amount it received in Fiscal Year 2022."

5) Eligible school districts shall receive the higher of student growth funding or declining enrollment funding. No school district shall receive both declining enrollment funding and student growth funding. The initial state aid notice provides declining enrollment funding that has not been compared to student growth funding.

Guy-Perkins School District (2304000)

492 Highway 25 North , Guy, AR 72061

gptbirds.org

Superintendent	Joseph D Fisher
Email	joe.fisher@gptbirds.org
Phone	(501) 679-7224

District Accreditation Status
Accredited

District Information
Total Enrollment
307

FTE Information	
Superintendent	Assistant Superintendent
1.00	

ADE Standards Specialist(s)

Matthew Sutherlin	Matthew.Sutherlin@ade.arkansas.gov	501-682-4379
Thomas Coy	Thomas.Coy@ade.arkansas.gov	501-682-4368

School Accreditation Status

		Status
2304021	Guv-Perkins Elementary School	Accredited
2304022	Guv-Perkins High School	Accredited

LEA: 2304000
COUNTY: FAULKNER
DISTRICT: GUY-PERKINS SCHOOL DISTRICT
SCHOOL:

Annual Financial Report (AFRB) Level I
SCHOOL YEAR: 2022 - 2023

PAGE: 1
RPT510 - SIS CERTIFIED
CYCLE: 1
RUN: 9/28/2022 8:02:48 AM

	Actual FY 2021 - 2022	Budget FY 2022 - 2023
	-----	-----
FUND 1 - Teacher Salary		
Beginning Balance	\$0.00	\$0.00
Total Revenues	\$0.00	\$0.00
Total Expenditures	\$1,413,277.84	\$1,508,525.43
Total Transfers	\$1,413,277.84	\$1,508,525.43
	-----	-----
Ending Balance	\$0.00	\$0.00
FUND 2 - Operating		
Beginning Balance	\$671,258.61	\$572,034.42
Total Revenues	\$3,428,032.42	\$3,530,002.11
Total Expenditures	\$1,953,897.01	\$1,891,003.61
Total Transfers	-\$1,573,359.60	-\$1,666,544.19
	-----	-----
Ending Balance	\$572,034.42	\$544,488.73
FUND 3 - Building		
Beginning Balance	\$1,830,225.77	\$1,713,797.38
Total Revenues	\$0.00	\$0.00
Total Expenditures	\$116,428.39	\$0.00
Total Transfers	\$0.00	\$0.00
	-----	-----
Ending Balance	\$1,713,797.38	\$1,713,797.38
FUND 4 - Debt Service		
Beginning Balance	\$0.00	\$0.00
Total Revenues	\$0.00	\$0.00
Total Expenditures	\$160,081.76	\$158,018.76
Total Transfers	\$160,081.76	\$158,018.76
	-----	-----
Ending Balance	\$0.00	\$0.00

LEA: 2304000
COUNTY: FAULKNER
DISTRICT: GUY-PERKINS SCHOOL DISTRICT
SCHOOL:

Annual Financial Report (AFRB) Level I
SCHOOL YEAR: 2022 - 2023

PAGE: 2
RPT510 - SIS CERTIFIED
CYCLE: 1
RUN: 9/28/2022 8:02:48 AM

	Actual FY 2021 - 2022	Budget FY 2022 - 2023
	-----	-----
FUND 5 - Capital Outlay		
Beginning Balance	\$0.00	\$0.00
Total Revenues	\$0.00	\$0.00
Total Expenditures	\$0.00	\$0.00
Total Transfers	\$0.00	\$0.00
	-----	-----
Ending Balance	\$0.00	\$0.00
FUND 6 - Federal Grants		
Beginning Balance	\$143,806.06	\$290,008.92
Total Revenues	\$1,244,525.78	\$191,896.41
Total Expenditures	\$1,098,322.92	\$396,034.45
Total Transfers	\$0.00	\$0.00
	-----	-----
Ending Balance	\$290,008.92	\$85,870.88
FUND 7 - Activity		
Beginning Balance	\$32,794.83	\$30,894.30
Total Revenues	\$101,880.40	\$0.00
Total Expenditures	\$103,780.93	\$0.00
Total Transfers	\$0.00	\$0.00
	-----	-----
Ending Balance	\$30,894.30	\$30,894.30
FUND 8 - Food Service		
Beginning Balance	\$0.00	\$23,791.01
Total Revenues	\$293,736.40	\$247,250.00
Total Expenditures	\$269,945.39	\$250,135.49
Total Transfers	\$0.00	\$0.00
	-----	-----
Ending Balance	\$23,791.01	\$20,905.52

Budget Summary

GUY-PERKINS SCHOOL DISTRICT (2304000)

FY23 as of 2022-11-07			
Beginning Balance <u>7/1/2022</u>			Ending Balance <u>10/31/2022</u>
Revenue		Expenditures	
568,659.4	508,884.91	969,203.03	108,341.28
FY23 Budget			
Beginning Balance <u>7/1/2022</u>			Projected Balance <u>6/30/2023</u>
Revenue		Expenditures	
568,659.4	3,370,339.11	3,437,300.51	501,698
FY22			
Beginning Balance <u>7/1/2021</u>			Ending Balance <u>6/30/2022</u>
Revenue		Expenditures	
652,708.66	3,296,627.42	3,380,676.68	568,659.4
FY21			
Beginning Balance <u>7/1/2020</u>			Ending Balance <u>6/30/2021</u>
Revenue		Expenditures	
619,134.47	3,270,015.54	3,236,441.35	652,708.66
FY20			

Beginning Balance		Ending Balance	
<u>7/1/2019</u>		<u>6/30/2020</u>	
608,480.31	Revenue		
	3,396,013.35	Expenditures	
		3,385,359.19	
			619,134.47

(Does not include Building, Categorical, Federal, Activity and Food Service Funds)

Nov 7, 2022

1

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Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Neida Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

September 3, 2021

To the Superintendent and School Board Members
Guy-Perkins School District (District)

We have audited the regulatory basis financial statements of each major governmental fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2020, and have issued our report thereon dated July 27, 2021. Ark. Code Ann. § 6-1-101(d) requires the District's board or governing body to review the audit report and any accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the audit report if the audit report is received by the board or governing party prior to 10 days before the regularly scheduled meeting. If the audit report is received by the board or governing body within 10 days before a regularly scheduled meeting, the audit report may be reviewed at the next regularly scheduled meeting after the 10 day period. The aforementioned Code also requires the board or governing body to take appropriate action relating to each finding and recommendation contained in the audit report and also requires documentation of this review and the action taken by the board or governing body in the minutes of the board or governing body. Audit findings are disclosed on page 4 in the enclosed audit report. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you dated February 17, 2021. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the audit year. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were detected during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the Management Representation Letter dated July 27, 2021.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occurred in the normal course of our professional relationship.

Other Matters

We were not engaged to report on the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years, which accompany the financial statements but are not required supplementary information. Such information has 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 it.

Restriction on Use

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

ARKANSAS LEGISLATIVE AUDIT



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



Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

July 8, 2022

To the Superintendent and School Board Members
Guy-Perkins School District (District)

We have audited the regulatory basis financial statements of each major governmental fund and the aggregate remaining fund information of the District, as of and for the year ended June 30, 2021, and have issued our report thereon dated June 6, 2022. Ark. Code Ann. § 6-1-101(d) requires the District's board or governing body to review the audit report and any accompanying comments and recommendations at the first regularly scheduled meeting following receipt of the audit report if the audit report is received by the board or governing party prior to 10 days before the regularly scheduled meeting. If the audit report is received by the board or governing body within 10 days before a regularly scheduled meeting, the audit report may be reviewed at the next regularly scheduled meeting after the 10 day period. The aforementioned Code also requires the board or governing body to take appropriate action relating to each finding and recommendation contained in the audit report and also requires documentation of this review and the action taken by the board or governing body in the minutes of the board or governing body. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards* as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our Engagement Letter to you dated April 11, 2022. Professional standards also require that we provide you with the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements. The District changed accounting policies related to the presentation of fiduciary fund types by adopting Statement of Governmental Accounting Standards no. 84, *Fiduciary Activities* in 2021. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were detected during the audit.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the Management Representation Letter dated June 6, 2022.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the District's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year. However, these discussions occurred in the normal course of our professional relationship.

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We were not engaged to report on the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years, which accompany the financial statements but are not required supplementary information. Such information has 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 it.

Restriction on Use

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in blue ink, appearing to read "Roger A. Norman".

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



Guy-Perkins School District

492 Highway 25 North

Guy, Arkansas 72061

501-679-7224

www.gptbirds.org

November 10, 2022

Dear State Board of Education,

On November 2, 2022, the Guy-Perkins School District was placed on the *Administrative Consolidation List* published by the Department of Elementary and Secondary Education under §6-13-1602(2). As per §6-13-1613, Guy-Perkins School District has submitted a petition for a waiver from the minimum school district size of 350.

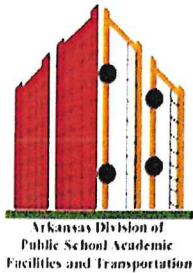
As part of the requirements set forth in §6-13-1613, this letter is to serve as a "Statement of Assurance" that Guy-Perkins School District is not currently classified as in need of Level 5 – Intensive Support. This letter is also to assure that it is in the best interest of the students in Guy-Perkins School District to keep our district open due to the length of potential time spent on the bus by students traveling to and from school, should our school district be administratively reorganized.

Guy-Perkins School District made great strides in student growth and academic achievement in 2021-22, even though there was much learning loss the previous year due to the COVID-19 pandemic. There is still more work to be done during the 2022-23 school year to close the COVID-19 "learning gap." It is our belief that this can be achieved more successfully as a small-sized school district providing more personalized and individualized instruction for ALL of our students.

We respectfully request our petition for a waiver from the minimum school district size be granted for the 2022-23 school year. Thank you for your consideration in this matter.

Respectfully Submitted,

Dr. Joe Fisher, Superintendent



Arkansas

Division of Public School Academic Facilities & Transportation

One Capitol Mall, Suite 4D-200, Little Rock, AR 72201

FACILITIES
Telephone (501) 682-4261
Fax (501) 683-1200

TRANSPORTATION
Telephone (501) 682-4264
Fax (501) 683-6308

November 7, 2022

Dr. Joe Fisher
Superintendent
Guy-Perkins School District
492 Highway 25 North
Guy, AR 72061

RE: Response to District's request dated November 7, 2022

Dear Dr. Fisher:

The Guy-Perkins School District (*District*) facility condition survey indicated academic building systems were generally in good to fair condition. The July 5, 2022, on-site inspection of District's academic facilities did not reveal any serious adequacy issues, the District had no indicators of facilities distress for the last two years, and the District was not in Level 5 support for facility issues or facilities distress.

The District has not applied for Partnership Program funding in the current cycle.

Please contact your Area Project Manager - Planning and Construction if you have any questions.

Sincerely,


Tyrel Pace
Assistant Director

TP/cb

Guy-Perkins School District No. 34

Faulkner County, Arkansas

Regulatory Basis Financial Statements And Other Reports

June 30, 2021

LEGISLATIVE JOINT AUDITING COMMITTEE



GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2021

Independent Auditor's Report
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*

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds - Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	2

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



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

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Guy-Perkins School District No. 34 and School Board Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Guy-Perkins School District No. 34 (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2021, or the changes in financial position for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2021, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Emphasis of Matter

As discussed in Note 1C to the financial statements, in 2021 the District adopted new accounting guidance, Governmental Accounting Standards Board Statement no. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purpose of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2022 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe that scope or our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
June 6, 2022
EDSD11821

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

INDEPENDENT AUDITOR'S REPORT

Guy-Perkins School District No. 34 and School Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Guy-Perkins School District No. 34 (the "District"), as of and for the year ended June 30, 2021, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated June 6, 2022. We have issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2021, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

AUDIT FINDINGS

Material Weakness

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

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

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

Management Response: We concur with the recommendation and will implement corrective procedures to the extent possible.

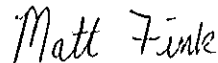
District's Response to Findings

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

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
June 6, 2022

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2021

Exhibit A

	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
ASSETS			
Cash	\$ 701,036	\$ 119,308	\$ 1,830,226
Accounts receivable	449	55,509	
Due from other funds	3,018		
TOTAL ASSETS	<u>\$ 704,503</u>	<u>\$ 174,817</u>	<u>\$ 1,830,226</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 30,984	\$ 15,193	
Due to other funds		3,018	
Total Liabilities	<u>30,984</u>	<u>18,211</u>	
Fund Balances:			
Restricted	141,500	157,093	
Assigned	32,795		\$ 1,830,226
Unassigned	499,224	(487)	
Total Fund Balances	<u>673,519</u>	<u>156,606</u>	<u>1,830,226</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 704,503</u>	<u>\$ 174,817</u>	<u>\$ 1,830,226</u>

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,058,053		
State assistance	1,375,039	\$ 1,481	
Federal assistance	5	783,730	
Activity revenues	57,911		
Meal sales		7,483	
Investment income	15,712		
Other revenues	26,501	166	
TOTAL REVENUES	3,533,221	792,860	
EXPENDITURES			
Regular programs	1,190,212	189,655	
Special education	236,327	30,920	
Career education programs	175,520		
Compensatory education programs	32,307	124,209	
Other instructional programs	41,709		
Student support services	182,539	31,381	
Instructional staff support services	313,233	116,162	
General administration support services	130,969	345	
School administration support services	158,529		
Central services support services	130,424		
Operation and maintenance of plant services	466,087	31,318	\$ 34,450
Student transportation services	157,194		
Other support services	8,879		
Food services operations	4,022	229,547	
Facilities acquisition and construction services	4,931		52,296
Activity expenditures	60,625		
Debt Service:			
Principal retirement	56,888		25,000
Interest and fiscal charges	5,370		55,334
TOTAL EXPENDITURES	3,355,765	753,537	167,080
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	177,456	39,323	(167,080)
OTHER FINANCING SOURCES (USES)			
Transfers in		6,671	176,334
Transfers out	(183,005)		
TOTAL OTHER FINANCING SOURCES (USES)	(183,005)	6,671	176,334
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,549)	45,994	9,254
FUND BALANCES - JULY 1	679,068	110,612	1,820,972
FUND BALANCES - JUNE 30	\$ 673,519	\$ 156,606	\$ 1,830,226

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

GUY-PERKINS SCHOOL DISTRICT NO. 34

FAULKNER COUNTY, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,751,000	\$ 2,058,053	\$ 307,053			
State assistance	1,507,435	1,375,039	(132,396)	\$ 1,300	\$ 1,481	\$ 181
Federal assistance		5	5	569,716	783,730	214,014
Activity revenues		57,911	57,911			
Meal sales						
Investment income	16,000	15,712	(288)	11,500	7,483	(4,017)
Other revenues	21,000	26,501	5,501		166	166
TOTAL REVENUES	3,295,435	3,533,221	237,786	582,516	792,860	210,344
EXPENDITURES						
Regular programs	1,179,452	1,190,212	(10,760)	13,435	189,655	(176,220)
Special education	242,035	236,327	5,708	62,250	30,920	31,330
Career education programs	168,493	175,520	(7,027)			
Compensatory education programs	29,316	32,307	(2,991)	119,002	124,209	(5,207)
Other instructional programs	38,737	41,709	(2,972)			
Student support services	178,287	182,539	(4,252)	69,166	31,381	37,785
Instructional staff support services	287,533	313,233	(25,700)	85,554	116,162	(30,608)
General administration support services	122,853	130,969	(8,116)		345	(345)
School administration support services	155,430	158,529	(3,099)			
Central services support services	123,419	130,424	(7,005)			
Operation and maintenance of plant services	345,724	466,087	(120,363)	15,000	31,318	(16,318)
Student transportation services	154,792	157,194	(2,402)			
Other support services	25,000	8,879	16,121			
Food services operations	3,200	4,022	(822)	232,037	229,547	2,490
Facilities acquisition and construction services		4,931	(4,931)			
Activity expenditures		60,625	(60,625)			
Debt Service:						
Principal retirement	44,536	56,888	(12,352)			
Interest and fiscal charges	3,839	5,370	(1,531)			
TOTAL EXPENDITURES	3,102,646	3,355,765	(253,119)	596,444	753,537	(157,093)

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2021

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 192,789	\$ 177,456	\$ (15,333)	\$ (13,928)	\$ 39,323	\$ 53,251
OTHER FINANCING SOURCES (USES) Transfers in	4,247,206		(4,247,206)	33,120	6,671	(26,449)
Transfers out	(4,337,774)	(183,005)	4,154,769	(23,120)		23,120
TOTAL OTHER FINANCING SOURCES (USES)	(90,568)	(183,005)	(92,437)	10,000	6,671	(3,329)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	102,221	(5,549)	(107,770)	(3,928)	45,994	49,922
FUND BALANCES - JULY 1	707,168	679,068	(28,100)	97,666	110,612	12,946
FUND BALANCES - JUNE 30	\$ 809,389	\$ 673,519	\$ (135,870)	\$ 93,738	\$ 156,606	\$ 62,868

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five 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 Guy-Perkins School District (District). There are no component units.

B. Description of Funds

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

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c) 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.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

C. Measurement Focus and Basis of Accounting (Continued)

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. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. 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 funds will be reflected in the notes to financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Property Taxes

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

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

G. Interfund Receivables and Payables

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

H. Fund Balance Classifications

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

I. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The District does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the school districts employ the cash basis method.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

J. 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.

K. Minimum Fund Balance Policies

The District's Board of Education formally adopted, by resolution on July 14, 2016 to establish \$600,000 as the target balance of unrestricted general operating funds at the end of each fiscal year.

L. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The District's Board of Education has not adopted a formal policy addressing this authorization.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Fund Balance Classification Policies and Procedures (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 uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

M. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 283,758	\$ 284,353
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,366,812	2,418,675
Total Deposits	<u>\$ 2,650,570</u>	<u>\$ 2,703,028</u>

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2021 were comprised of the following:

	Governmental Funds	
	Major	
Description	General	Special Revenue
Federal assistance		\$ 52,279
Meal sales		3,230
Other	\$ 449	
Totals	<u>\$ 449</u>	<u>\$ 55,509</u>

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2021:

A. Operating Lease (noncapital lease with initial noncancellable lease terms in excess of one year)

General description of lease and leasing arrangements:

On July 20, 2020, the District executed a lease for three buses. Terms of the lease were yearly payments of \$15,600 per bus per year, \$46,800 per year, for three years.

1. Future minimum rental payments (aggregate) at June 30, 2021: \$93,600
2. Future minimum rental payments for the succeeding years:

Year Ended June 30,	Amount
2022	\$ 46,800
2023	46,800
Total	<u>\$ 93,600</u>

Rental payments for the operating lease described above were approximately \$46,800 for the year ended June 30, 2021.

B. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2021	Maturities To June 30, 2021
<u>Bonds</u>					
9/26/19	2/1/40	1.2 - 2.375%	\$ 2,530,000	\$ 2,505,000	\$ 25,000
<u>Direct Borrowings</u>					
8/18/17	9/15/21	4.10%	68,220	14,213	54,007
12/20/17	11/1/20	4.95%	39,500		39,500
2/1/18	2/1/24	3.45%	102,118	53,655	48,463
6/21/18	11/1/22	4.95%	33,000	13,200	19,800
4/25/19	4/25/22	5.77%	18,615	6,082	12,533
Total Direct Borrowings			<u>261,453</u>	<u>87,150</u>	<u>174,303</u>
Total Long-Term Debt			<u>\$ 2,791,453</u>	<u>\$ 2,592,150</u>	<u>\$ 199,303</u>

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4: COMMITMENTS (Continued)

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

Changes in Long-term Debt

	Balance July 1, 2020	Issued	Retired	Balance June 30, 2021
Bonds payable	\$ 2,530,000		\$ 25,000	\$ 2,505,000
<u>Direct Borrowings</u>				
Certificates of indebtedness	32,967		19,767	13,200
Capital leases	40,711		20,416	20,295
Installment contracts	70,360		16,705	53,655
Total Direct Borrowings	144,038		56,888	87,150
Total Long-Term Debt	\$ 2,674,038	\$ 0	\$ 81,888	\$ 2,592,150

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 105,000	\$ 54,619	\$ 159,619	\$ 44,177	\$ 3,120	\$ 47,297
2023	105,000	52,519	157,519	24,478	1,420	25,898
2024	110,000	50,419	160,419	18,495	638	19,133
2025	115,000	48,219	163,219			
2026	120,000	45,919	165,919			
2027-2031	605,000	194,194	799,194			
2032-2036	705,000	125,644	830,644			
2037-2040	640,000	38,713	678,713			
Totals	\$ 2,505,000	\$ 610,246	\$ 3,115,246	\$ 87,150	\$ 5,178	\$ 92,328

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2021:

Class of Property	Cost	Accumulated Depreciation	Net Value
Buses	\$ 68,220	\$ 54,007	\$ 14,213
Copiers	18,615	12,533	6,082
Total	\$ 86,835	\$ 66,540	\$ 20,295

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4: COMMITMENTS (Continued)

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

The present value of the net minimum lease payments is as follows at June 30, 2021:

Total Minimum Lease Payments	\$ 21,073
Less: Amount Representing Interest	<u>778</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 20,295</u>

Security for Debt Payments

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

5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2021 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 30,984	\$ 6,917
Salaries payable		<u>8,276</u>
Totals	<u>\$ 30,984</u>	<u>\$ 15,193</u>

6: INTERFUND TRANSFERS

The District transferred \$176,334 from the general fund to the other aggregate funds for debt related payments of \$96,000 and future capital expenditures of \$80,334. Additionally, \$6,671 was transferred from the general fund to the special revenue fund to supplement food service operations.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

7: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.50% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.50% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2021 were \$324,173, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$3,783,257.

8: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$487 in the special revenue fund, as displayed in the table at Note 12 below, pertains to the Child Nutrition federal program. The temporary deficit was caused by the recognition of minor accounts payable at year-end.

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$2,530,000 issued on September 26, 2019. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$3,115,246; payable through February 1, 2040. Principal and interest paid for the current year and total property taxes pledged for debt service were \$79,919 and \$710,518, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 11.25 percent.

10: RISK MANAGEMENT

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

The District carries commercial insurance for school board legal liability and employment practices liability coverage.

The District participates in the Arkansas School Boards Association – Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

10: RISK MANAGEMENT (Continued)

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, vehicles, and mobile equipment.

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

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

11: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$65,139 for the year ended June 30, 2021.

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 6,907		
Enhanced student achievement funding	3,019		
English-language learners	1,253		
Professional development	6,852		
Child nutrition programs			
Medical services		\$ 132,596	
Special education programs	47,041		
Title I programs		684	
Other purposes	76,428	23,813	
Total Restricted	<u>141,500</u>	<u>157,093</u>	
Assigned to:			
Capital projects			\$ 1,830,226
Student activities	32,795		
Total Assigned	<u>32,795</u>		<u>1,830,226</u>
Unassigned	<u>499,224</u>	<u>(487)</u>	
Totals	<u>\$ 673,519</u>	<u>\$ 156,606</u>	<u>\$ 1,830,226</u>

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Unaudited)

Schedule 1

	Balance June 30, 2021
Nondepreciable capital assets:	
Land	\$ 148,433
Depreciable capital assets:	
Buildings	8,440,766
Improvements/infrastructure	163,960
Equipment	816,793
Total depreciable capital assets	<u>9,421,519</u>
Less accumulated depreciation for:	
Buildings	2,582,221
Improvements/infrastructure	59,158
Equipment	512,183
Total accumulated depreciation	<u>3,153,562</u>
Total depreciable capital assets, net	<u>6,267,957</u>
Capital assets, net	<u><u>\$ 6,416,390</u></u>

GUY-PERKINS SCHOOL DISTRICT NO. 34

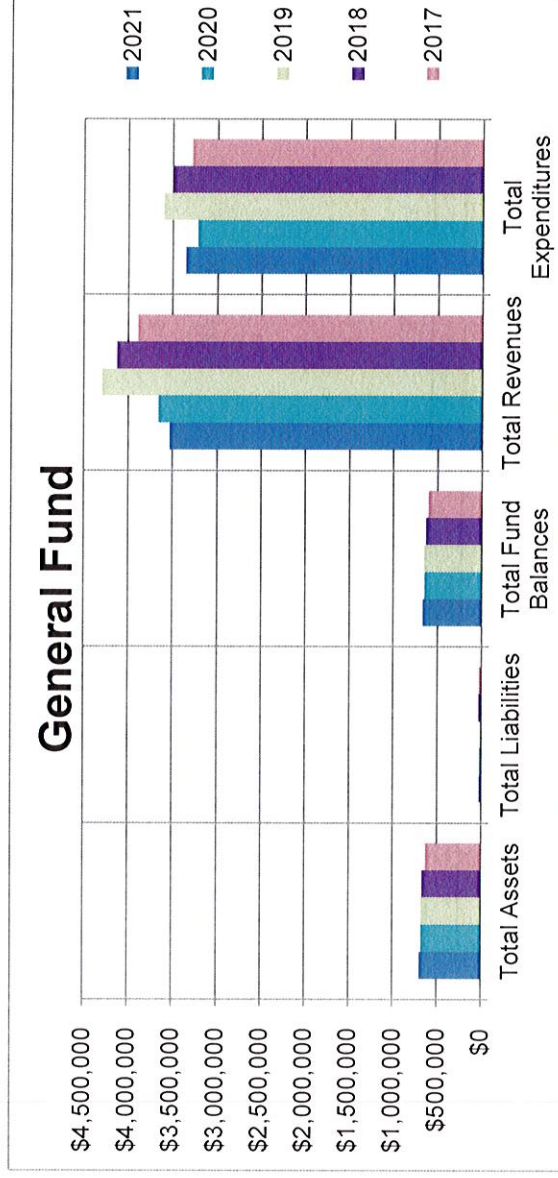
FAULKNER COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2021

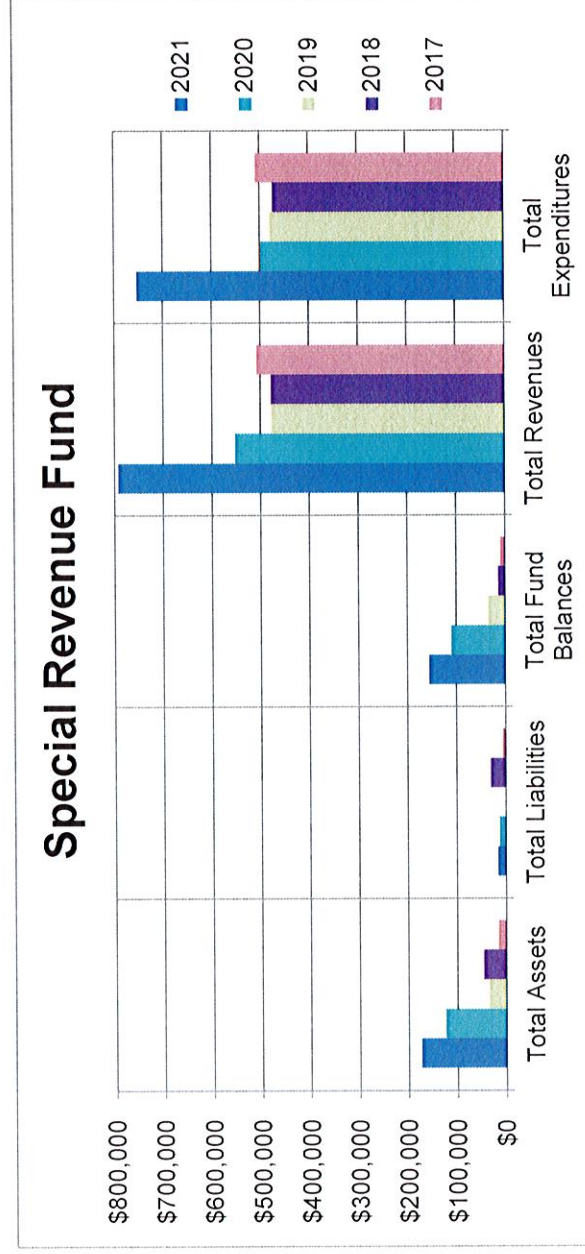
(Unaudited)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
General Fund					
Total Assets	\$ 704,503	\$ 683,390	\$ 684,733	\$ 673,044	\$ 636,513
Total Liabilities	30,984	28,100	24,032	32,793	30,304
Total Fund Balances	673,519	655,290	660,701	640,251	606,209
Total Revenues	3,533,221	3,662,058	4,294,699	4,125,331	3,891,218
Total Expenditures	3,355,765	3,219,371	3,604,922	3,491,084	3,282,611
Total Other Financing Sources (Uses)	(183,005)	(448,098)	(669,327)	(600,205)	(615,854)



GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 174,817	\$ 125,409	\$ 35,915	\$ 47,328	\$ 18,128
Total Liabilities	18,211	14,797	600	31,697	7,222
Total Fund Balances	156,606	110,612	35,315	15,631	10,906
Total Revenues	792,860	551,896	477,012	478,170	507,592
Total Expenditures	753,537	498,310	478,909	473,445	507,960
Total Other Financing Sources (Uses)	6,671	21,711	21,581		3,193

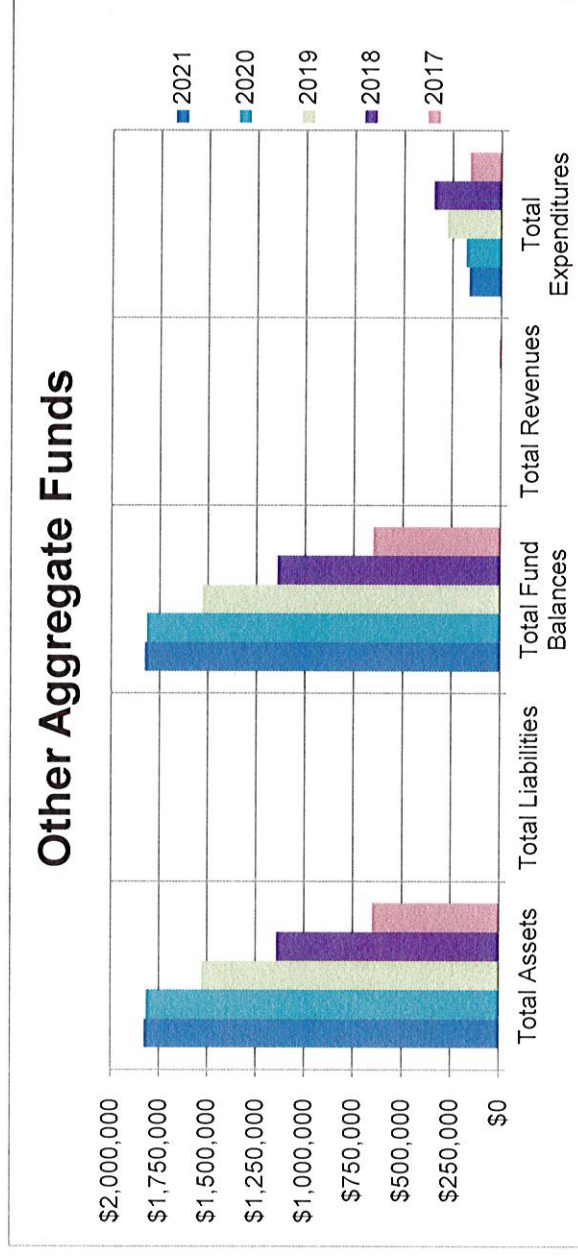


GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021

(Unaudited)

	Year Ended June 30,				
	2021	2020	2019	2018	2017
Other Aggregate Funds					
Total Assets	\$ 1,830,226	\$ 1,820,972	\$ 1,533,297	\$ 1,149,021	\$ 654,761
Total Liabilities					
Total Fund Balances	1,830,226	1,820,972	1,533,297	1,149,021	654,761
Total Revenues			98	32	7,710
Total Expenditures	167,080	183,246	282,183	348,815	163,962
Total Other Financing Sources (Uses)	176,334	470,921	666,361	843,043	612,661



Guy-Perkins School District No. 34

Faulkner County, Arkansas

Regulatory Basis Financial Statements And Other Reports

June 30, 2020

LEGISLATIVE JOINT AUDITING COMMITTEE



GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
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JUNE 30, 2020

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Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Guy-Perkins School District No. 34 and School Board Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Guy-Perkins School District No. 34 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2020, or the changes in financial position for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purpose of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 27, 2021 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe that scope or our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
July 27, 2021
EDSD11820

Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

INDEPENDENT AUDITOR'S REPORT

Guy-Perkins School District No. 34 and School Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Guy-Perkins School District No. 34 (the "District"), as of and for the year ended June 30, 2020, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated July 27, 2021. We have issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

AUDIT FINDINGS

Material Weakness

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

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

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

Management Response: We concur with the recommendation and will implement corrective procedures to the extent possible.

District's Response to Findings

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

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
July 27, 2021

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			
	General	Special Revenue	Other Aggregate	Fiduciary Fund Types
ASSETS				
Cash	\$ 683,390	\$ 97,255	\$ 1,820,972	\$ 23,778
Accounts receivable		28,154		598
TOTAL ASSETS	\$ 683,390	\$ 125,409	\$ 1,820,972	\$ 24,376
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 28,100	\$ 14,797		\$ 1,465
Due student groups				22,911
Total Liabilities	28,100	14,797		24,376
Fund Balances:				
Restricted	154,604	110,828		
Assigned	11,731		\$ 1,820,972	
Unassigned	488,955	(216)		
Total Fund Balances	655,290	110,612	1,820,972	
TOTAL LIABILITIES AND FUND BALANCES	\$ 683,390	\$ 125,409	\$ 1,820,972	\$ 24,376

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,234,628		
State assistance	1,330,360	\$ 1,295	
Federal assistance	5	510,050	
Activity revenues	27,714		
Meal sales		39,615	
Investment income	41,722		
Other revenues	27,629	936	
TOTAL REVENUES	3,662,058	551,896	
EXPENDITURES			
Regular programs	1,232,511	301	
Special education	202,872	67,778	
Career education programs	169,656		
Compensatory education programs	24,899	133,046	
Other instructional programs	42,803		
Student support services	188,603	5,381	
Instructional staff support services	310,039	21,231	
General administration support services	133,703	910	
School administration support services	143,679		
Central services support services	120,072		
Operation and maintenance of plant services	419,305		\$ 83,285
Student transportation services	118,288		
Other support services	21,677		
Food services operations	6,263	269,563	
Community services operations		100	
Activity expenditures	22,329		
Debt Service:			
Principal retirement	54,768		
Interest and fiscal charges	7,904		56,319
Net debt issuance costs			43,642
TOTAL EXPENDITURES	3,219,371	498,310	183,246
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	442,687	53,586	(183,246)
OTHER FINANCING SOURCES (USES)			
Transfers in		21,711	426,387
Transfers out	(448,098)		
Proceeds from refunding bond issue			2,530,000
Payment to refunding bond escrow agent			(2,485,466)
TOTAL OTHER FINANCING SOURCES (USES)	(448,098)	21,711	470,921
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(5,411)	75,297	287,675
FUND BALANCES - JULY 1	660,701	35,315	1,533,297
FUND BALANCES - JUNE 30	\$ 655,290	\$ 110,612	\$ 1,820,972

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

GUY-PERKINS SCHOOL DISTRICT NO. 34

FAULKNER COUNTY, ARKANSAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,957,500	\$ 2,234,628	\$ 277,128			
State assistance	1,513,930	1,330,360	(183,570)	\$ 1,179	\$ 1,295	\$ 116
Federal assistance		5	5	434,955	510,050	75,095
Activity revenues		27,714	27,714	53,400		(53,400)
Meal sales					39,615	39,615
Investment income	45,000	41,722	(3,278)			
Other revenues	29,500	27,629	(1,871)		936	936
TOTAL REVENUES	3,545,930	3,662,058	116,128	489,534	551,896	62,362
EXPENDITURES						
Regular programs	1,229,823	1,232,511	(2,688)		301	(301)
Special education	238,300	202,872	35,428	88,586	67,778	20,808
Career education programs	169,470	169,656	(186)			
Compensatory education programs	20,256	24,899	(4,643)	123,640	133,046	(9,406)
Other instructional programs	40,700	42,803	(2,103)			
Student support services	172,237	188,603	(16,366)	37,171	5,381	31,790
Instructional staff support services	293,844	310,039	(16,195)	4,892	21,231	(16,339)
General administration support services	139,654	133,703	5,951	1,500	910	590
School administration support services	142,398	143,679	(1,281)			
Central services support services	121,337	120,072	1,265			
Operation and maintenance of plant services	476,393	419,305	57,088			
Student transportation services	107,777	118,288	(10,511)			
Other support services	23,695	21,677	2,018			
Food services operations	5,500	6,263	(763)	253,750	269,563	(15,813)
Community services operations				400	100	300
Activity expenditures						
Debt Service:						
Principal retirement	54,772	54,768	4			
Interest and fiscal charges	7,899	7,904	(5)			
TOTAL EXPENDITURES	3,244,055	3,219,371	24,684	509,939	498,310	11,629

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 301,875	\$ 442,687	\$ 140,812	\$ (20,405)	\$ 53,586	\$ 73,991
OTHER FINANCING SOURCES (USES)						
Transfers in	4,288,959		(4,288,959)	73,169	21,711	(51,458)
Transfers out	(4,395,064)	(448,098)	3,946,966	(23,169)		23,169
TOTAL OTHER FINANCING SOURCES (USES)	(106,105)	(448,098)	(341,993)	50,000	21,711	(28,289)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	195,770	(5,411)	(201,181)	29,595	75,297	45,702
FUND BALANCES - JULY 1	702,534	660,701	(41,833)	26,915	35,315	8,400
FUND BALANCES - JUNE 30	\$ 898,304	\$ 655,290	\$ (243,014)	\$ 56,510	\$ 110,612	\$ 54,102

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five 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 Guy-Perkins School District (District). There are no component units.

B. Description of Funds

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

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund - The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund - The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund types include the following:

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Property Taxes

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

F. Property Taxes (Continued)

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

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

G. Fund Balance Classifications

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

H. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The District does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the school districts employ the cash basis method.

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

I. Stabilization Arrangements

The District's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Minimum Fund Balance Policies

The District's Board of Education formally adopted, by resolution on July 14, 2016 to establish \$600,000 as the target balance at the end of each fiscal year in the general operating funds labeled as unrestricted.

K. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The District's Board of Education has not adopted a formal policy addressing this authorization.

The District's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the District's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

L. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 285,509	\$ 287,354
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,339,886	2,384,667
Total Deposits	<u>\$ 2,625,395</u>	<u>\$ 2,672,021</u>

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

3: ACCOUNTS RECEIVABLE

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

Description	Governmental Fund	Fiduciary Fund Types
	Major Special Revenue	
Federal assistance	\$ 28,154	
Activity fund accounts		\$ 598
Totals	<u>\$ 28,154</u>	<u>\$ 598</u>

4: COMMITMENTS

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

Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2020	Maturities To June 30, 2020
<u>Bonds</u>					
9/26/19	2/1/40	1.2 - 2.375%	\$ 2,530,000	\$ 2,530,000	\$ 0
<u>Direct Borrowings</u>					
8/18/17	9/15/21	4.10%	68,220	27,856	40,364
12/20/17	11/1/20	4.95%	39,500	13,167	26,333
2/1/18	2/1/24	3.45%	102,118	70,360	31,758
6/21/18	11/1/22	4.95%	33,000	19,800	13,200
4/25/19	4/25/22	5.77%	18,615	12,855	5,760
Total Direct Borrowings			<u>261,453</u>	<u>144,038</u>	<u>117,415</u>
Total Long-Term Debt			<u>\$ 2,791,453</u>	<u>\$ 2,674,038</u>	<u>\$ 117,415</u>

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

Changes in Long-term Debt

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
Bonds payable	\$ 2,470,000	\$ 2,530,000	\$ 2,470,000 *	\$ 2,530,000
<u>Direct Borrowings</u>				
Certificates of indebtedness	52,733		19,766	32,967
Capital leases	59,565		18,854	40,711
Installment contracts	86,508		16,148	70,360
Total Direct Borrowings	198,806		54,768	144,038
Total Long-Term Debt	\$ 2,668,806	\$ 2,530,000	\$ 2,524,768	\$ 2,674,038

* Includes \$2,470,000 early retirement of debt – See Note 6.

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 25,000	\$ 54,919	\$ 79,919	\$ 56,351	\$ 5,337	\$ 61,688
2022	105,000	54,619	159,619	44,714	3,152	47,866
2023	105,000	52,519	157,519	24,478	1,420	25,898
2024	110,000	50,419	160,419	18,495	638	19,133
2025	115,000	48,219	163,219			
2026-2030	595,000	206,093	801,093			
2031-2035	690,000	141,019	831,019			
2036-2040	785,000	57,356	842,356			
Totals	\$ 2,530,000	\$ 665,163	\$ 3,195,163	\$ 144,038	\$ 10,547	\$ 154,585

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2020:

Class of Property	Cost	Accumulated Depreciation	Net Value
Buses	\$ 68,220	\$ 24,872	\$ 43,348
Copiers	18,615	1,862	16,753
Total	\$ 86,835	\$ 26,734	\$ 60,101

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

The present value of the net minimum lease payments is as follows at June 30, 2020:

Total Minimum Lease Payments	\$ 43,284
Less: Amount Representing Interest	<u>2,573</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 40,711</u>

Security for Debt Payments

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

5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Description	Governmental Funds		Fiduciary Fund Types
	Major		
	General	Special Revenue	
Vendor payables	\$ 23,396	\$ 14,797	\$ 1,465
Salaries payable	<u>4,704</u>		
Totals	<u>\$ 28,100</u>	<u>\$ 14,797</u>	<u>\$ 1,465</u>

6: DEBT REFUNDING

On September 26, 2019, the District issued refunding bonds of \$2,530,000 with interest rates of 1.2 - 2.375 percent to refund \$2,470,000 of outstanding bonds dated December 1, 2014. The interest rates of the bonds refunded were 0.8 - 3.625 percent. Net bond proceeds of \$2,485,466 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on October 28, 2019. The remaining proceeds of \$892 (after payment of \$43,642 net bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$223,837 to the District over the life of the bonds.

7: INTERFUND TRANSFERS

The District transferred \$426,387 from the general fund to the other aggregate funds for debt related payments of \$55,427 and future capital expenditures of \$370,960. Additionally, \$21,711 was transferred from the general fund to the special revenue fund to supplement food service operations.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

8: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.25% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2020 were \$297,984, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$2,969,651.

9: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$216 in the special revenue fund, as displayed in the table at Note 13 below, pertains to the Child Nutrition federal program. The temporary deficit was caused by the recognition of minor accounts payable at year-end.

10: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$2,530,000 issued September 26, 2019. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$3,195,163, payable through February 1, 2040. Principal and interest paid for the current year and total property taxes pledged for debt service were \$55,654 and \$771,479, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 7.21 percent.

11: RISK MANAGEMENT

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

The District carries commercial insurance for school board legal liability and employment practices liability coverage.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

11: RISK MANAGEMENT (Continued)

The District participates in the Arkansas School Boards Association – Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, vehicles, and mobile equipment.

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

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

12: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$67,881 for the year ended June 30, 2020.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 6,331		
Enhanced student achievement			
funding	18,640		
English-language learners	1,373		
Professional development	8,504		
Medical services		\$ 82,240	
Special education programs	72,137	14,431	
Other purposes	47,619	14,157	
Total Restricted	<u>154,604</u>	<u>110,828</u>	
Assigned to:			
Capital projects			\$ 1,820,972
Student activities	11,731		
Total Assigned	<u>11,731</u>		<u>1,820,972</u>
Unassigned	<u>488,955</u>	<u>(216)</u>	
Totals	<u>\$ 655,290</u>	<u>\$ 110,612</u>	<u>\$ 1,820,972</u>

14: RESPONSE TO COVID-19

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). A mandatory, two week, statewide closure for all schools was announced on March 15, 2020 by the Governor. On April 6, 2020, the Governor announced that on-site instruction for all Arkansas public schools would be discontinued until the 2020-2021 school year and school districts would continue alternative methods of instruction (AMI) through the remainder of the 2019-2020 school year.

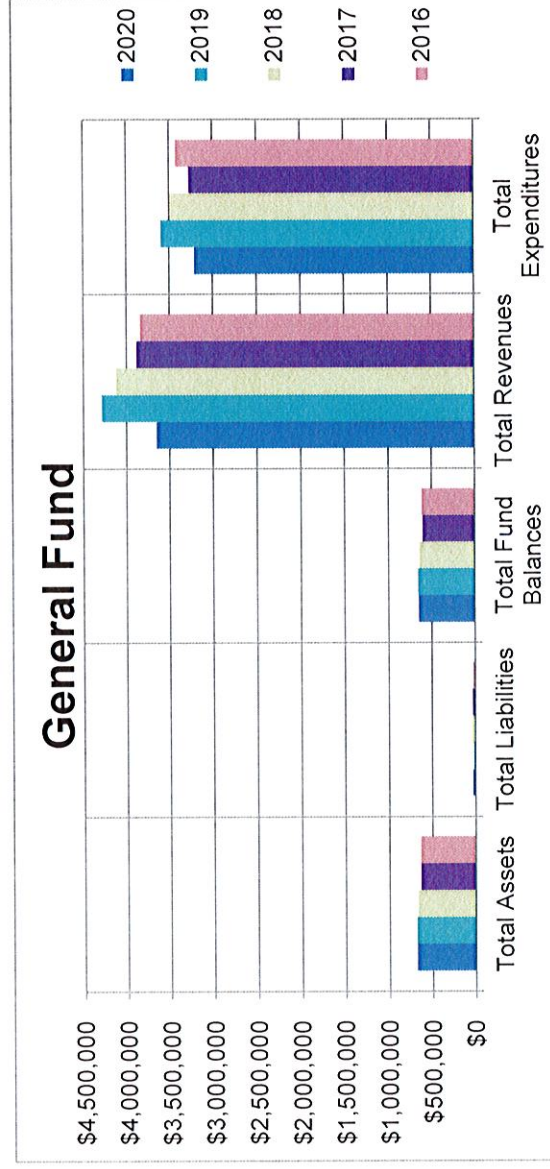
GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

Schedule 1

	Balance June 30, 2020
Nondepreciable capital assets:	
Land	\$ 148,433
Depreciable capital assets:	
Buildings	8,475,861
Improvements/infrastructure	72,548
Equipment	962,049
Total depreciable capital assets	9,510,458
Less accumulated depreciation for:	
Buildings	2,447,770
Improvements/infrastructure	51,431
Equipment	589,994
Total accumulated depreciation	3,089,195
Total depreciable capital assets, net	6,421,263
Capital assets, net	\$ 6,569,696

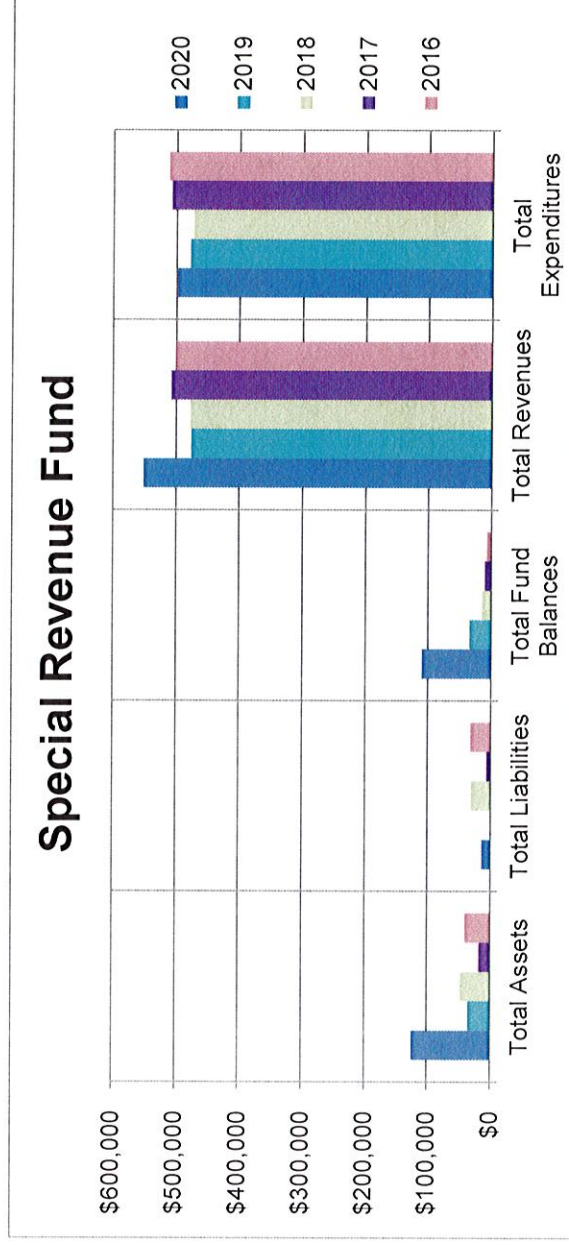
GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

General Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 683,390	\$ 684,733	\$ 673,044	\$ 636,513	\$ 637,529
Total Liabilities	28,100	24,032	32,793	30,304	24,073
Total Fund Balances	655,290	660,701	640,251	606,209	613,456
Total Revenues	3,662,058	4,294,699	4,125,331	3,891,218	3,844,641
Total Expenditures	3,219,371	3,604,922	3,491,084	3,282,611	3,433,285
Total Other Financing Sources (Uses)	(448,098)	(669,327)	(600,205)	(615,854)	(319,435)



GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Special Revenue Fund					
Total Assets	\$ 125,409	\$ 35,915	\$ 47,328	\$ 18,128	\$ 40,389
Total Liabilities	14,797	600	31,697	7,222	32,308
Total Fund Balances	110,612	35,315	15,631	10,906	8,081
Total Revenues	551,896	477,012	478,170	507,592	499,935
Total Expenditures	498,310	478,909	473,445	507,960	512,324
Total Other Financing Sources (Uses)	21,711	21,581	3,193		12,069



GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 1,820,972	\$ 1,533,297	\$ 1,149,021	\$ 654,761	\$ 198,352
Total Liabilities					
Total Fund Balances	1,820,972	1,533,297	1,149,021	654,761	198,352
Total Revenues		98	32	7,710	
Total Expenditures	183,246	282,183	348,815	163,962	236,074
Total Other Financing Sources (Uses)	470,921	666,361	843,043	612,661	363,659

