

Dermott Special School District

Chicot County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2021



DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
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JUNE 30, 2021

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Arkansas

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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

Dermott Special School District 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 Dermott Special School District (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

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 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 the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
March 31, 2022
EDSD04121

Arkansas

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



Rep. Richard Womack
House Chair
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House Vice Chair

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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

Dermott Special School District 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 Dermott Special School District (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, and have issued our report thereon dated March 31, 2022. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 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 in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 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 and federal laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated March 31, 2022.

District's Response to Findings

The District's response to the finding identified in our audit, excluding the management letter findings, is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of 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

A handwritten signature in cursive script that reads "Matt Fink".

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 31, 2022

Arkansas

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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Dermott Special School District and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Dermott Special School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

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

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

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

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

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 31, 2022

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Dermott Special School District and School Board Members
Legislative Joint Auditing Committee

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with District officials during the course of our audit fieldwork and at the exit conference.

1. During our observation of equipment, we noted 4 of 10 items selected for inspection could not be located.
2. The District did not obtain the required performance bond on a contract for the purchase and installation of HVAC units for \$169,750, as required by Ark. Code Ann. § 18-44-503.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Matt Fink".

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 31, 2022

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2021

Exhibit A

	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
ASSETS			
Cash	\$ 233,761		\$ 2,481,059
Investments	396,433		
Accounts receivable		\$ 509,280	
Due from other funds	356,474		
TOTAL ASSETS	<u>\$ 986,668</u>	<u>\$ 509,280</u>	<u>\$ 2,481,059</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 36,187	\$ 6,153	
Due to other funds		356,474	
Total Liabilities	<u>36,187</u>	<u>362,627</u>	
Fund Balances:			
Restricted	263,953	146,653	
Assigned	38,670		\$ 2,481,059
Unassigned	647,858		
Total Fund Balances	<u>950,481</u>	<u>146,653</u>	<u>2,481,059</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 986,668</u>	<u>\$ 509,280</u>	<u>\$ 2,481,059</u>

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

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT 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)	\$ 1,669,267		
State assistance	2,474,257	\$ 2,122	
Federal assistance		1,413,427	
Activity revenues	26,188		
Meal sales		24,415	
Investment income	9,393		
Other revenues	18,131		
TOTAL REVENUES	4,197,236	1,439,964	
EXPENDITURES			
Regular programs	1,563,294	168,410	
Special education	263,292	175,165	
Career education programs	26,194		
Compensatory education programs	157,541	161,016	
Other instructional programs	45,131		
Student support services	97,674	11,712	
Instructional staff support services	336,006	493,638	
General administration support services	183,735	22,762	
School administration support services	152,128	12,355	
Central services support services	70,881	41,669	\$ 275
Operation and maintenance of plant services	379,690	38,592	179,766
Student transportation services	179,482	20,921	
Other support services	7,086		
Food services operations	25,995	295,977	
Community services operations		9,794	
Non-programmed costs	381	4,472	
Activity expenditures	31,144		
Debt Service:			
Principal retirement	3,031		185,000
Interest and fiscal charges	947		49,169
TOTAL EXPENDITURES	3,523,632	1,456,483	414,210
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	673,604	(16,519)	(414,210)
OTHER FINANCING SOURCES (USES)			
Transfers in			620,169
Transfers out	(620,169)		
TOTAL OTHER FINANCING SOURCES (USES)	(620,169)		620,169
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	53,435	(16,519)	205,959
FUND BALANCES - JULY 1	897,046	163,172	2,275,100
FUND BALANCES - JUNE 30	\$ 950,481	\$ 146,653	\$ 2,481,059

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

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT 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			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,600,000	\$ 1,669,267	\$ 69,267			
State assistance	2,253,891	2,474,257	220,366	\$ 2,700	\$ 2,122	\$ (578)
Federal assistance				5,347,769	1,413,427	(3,934,342)
Activity revenues		26,188	26,188			
Meal sales				15,500	24,415	8,915
Investment income	11,000	9,393	(1,607)			
Other revenues	427	18,131	17,704			
TOTAL REVENUES	3,865,318	4,197,236	331,918	5,365,969	1,439,964	(3,926,005)
EXPENDITURES						
Regular programs	1,671,179	1,563,294	107,885	477,970	168,410	309,560
Special education	292,209	263,292	28,917	192,097	175,165	16,932
Career education programs	53,705	26,194	27,511			
Compensatory education programs	164,808	157,541	7,267	198,471	161,016	37,455
Other instructional programs	52,581	45,131	7,450			
Student support services	110,878	97,674	13,204	20,834	11,712	9,122
Instructional staff support services	488,133	336,006	152,127	609,471	493,638	115,833
General administration support services	190,745	183,735	7,010	23,437	22,762	675
School administration support services	157,082	152,128	4,954	12,355	12,355	
Central services support services	98,117	70,881	27,236	85,586	41,669	43,917
Operation and maintenance of plant services	429,533	379,690	49,843	645,532	38,592	606,940
Student transportation services	206,197	179,482	26,715	20,921	20,921	
Other support services	18,000	7,086	10,914			
Food services operations	49,280	25,995	23,285	401,602	295,977	105,625
Community services operations				11,294	9,794	1,500
Non-programmed costs	381	381		6,888	4,472	2,416
Activity expenditures		31,144	(31,144)			
Debt Service:						
Principal retirement		3,031	(3,031)			
Interest and fiscal charges		947	(947)			
TOTAL EXPENDITURES	3,982,828	3,523,632	459,196	2,706,458	1,456,483	1,249,975

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT 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			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (117,510)</u>	<u>\$ 673,604</u>	<u>\$ 791,114</u>	<u>\$ 2,659,511</u>	<u>\$ (16,519)</u>	<u>\$ (2,676,030)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	5,063,877		(5,063,877)	45,269		(45,269)
Transfers out	<u>(5,131,687)</u>	<u>(620,169)</u>	<u>4,511,518</u>	<u>(45,269)</u>		<u>45,269</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(67,810)</u>	<u>(620,169)</u>	<u>(552,359)</u>	<u>0</u>		<u>0</u>
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(185,320)	53,435	238,755	2,659,511	(16,519)	(2,676,030)
FUND BALANCES - JULY 1	<u>904,618</u>	<u>897,046</u>	<u>(7,572)</u>	<u>108,476</u>	<u>163,172</u>	<u>54,696</u>
FUND BALANCES - JUNE 30	<u><u>\$ 719,298</u></u>	<u><u>\$ 950,481</u></u>	<u><u>\$ 231,183</u></u>	<u><u>\$ 2,767,987</u></u>	<u><u>\$ 146,653</u></u>	<u><u>\$ (2,621,334)</u></u>

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

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a six 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 Dermott Special 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.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT 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.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT 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 has not formally adopted a minimum fund balance policy.

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.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT 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)	\$ 646,433	\$ 646,433
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,436,688	2,783,074
Total Deposits	<u>\$ 3,083,121</u>	<u>\$ 3,429,507</u>

The above total deposits do not include cash of \$28,032 which was held in the Chicot County Treasury and cash on hand of \$100. The above total deposits include certificates of deposit of \$396,433 reported as investments and classified as nonparticipating contracts.

3: ACCOUNTS RECEIVABLE

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

	Governmental Fund
	Major
	Special
Description	Revenue
Federal assistance	<u>\$ 509,280</u>

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4: COMMITMENTS

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

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>					
4/1/13	2/1/38	1.4 - 3.15%	\$ 755,000	\$ 615,000	\$ 140,000
9/1/14	6/1/28	1 - 2.6%	2,120,000	1,180,000	940,000
Total Bonds			<u>2,875,000</u>	<u>1,795,000</u>	<u>1,080,000</u>
<u>Direct Borrowings</u>					
3/31/20	3/31/25	6.35%	17,000	13,240	3,760
Total Direct Borrowings			<u>17,000</u>	<u>13,240</u>	<u>3,760</u>
Total Long-Term Debt			<u>\$ 2,892,000</u>	<u>\$ 1,808,240</u>	<u>\$ 1,083,760</u>

Changes in Long-term Debt

	Balance July 1, 2020	Issued	Retired	Balance June 30, 2021
Bonds payable	\$ 1,980,000		\$ 185,000	\$ 1,795,000
<u>Direct Borrowings</u>				
Installment contract	16,271		3,031	13,240
Total Long-Term Debt	<u>\$ 1,996,271</u>	<u>\$ 0</u>	<u>\$ 188,031</u>	<u>\$ 1,808,240</u>

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 185,000	\$ 45,125	\$ 230,125	\$ 3,229	\$ 749	\$ 3,978
2023	190,000	41,583	231,583	3,440	538	3,978
2024	195,000	37,707	232,707	3,665	313	3,978
2025	200,000	33,485	233,485	2,906	78	2,984
2026	210,000	28,560	238,560			
2027-2031	530,000	74,248	604,248			
2032-2036	195,000	32,700	227,700			
2037-2038	90,000	4,252	94,252			
Totals	<u>\$1,795,000</u>	<u>\$297,660</u>	<u>\$2,092,660</u>	<u>\$13,240</u>	<u>\$1,678</u>	<u>\$14,918</u>

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4: COMMITMENTS (Continued)

Security for Debt Payments

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

5: ACCOUNTS PAYABLE 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	\$ 26,863	\$ 6,153
Payroll withholdings and matching	9,324	
Totals	<u>\$ 36,187</u>	<u>\$ 6,153</u>

6: INTERFUND TRANSFERS

The District transferred \$620,169 from the general fund to the other aggregate funds for debt related payments of \$234,169 and \$386,000 to supplement future capital projects.

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.artrs.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 \$386,324, equal to the required contributions.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

7: RETIREMENT PLAN (Continued)

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 \$4,617,142.

8: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$2,875,000 issued from April 1, 2013 through September 1, 2014. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$2,092,660, payable through February 1, 2038. Principal and interest paid for the current year and total property taxes pledged for debt service were \$233,258 and \$671,140, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 34.76 percent.

9: 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 student accidents.

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

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

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

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

10: 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 \$77,711 for the year ended June 30, 2021.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 178,746		
English-language learners	1,938		
Professional development	39,418		
Child nutrition programs		\$ 71,162	
Medical services		68,759	
Special education programs	12,236		
Other purposes	31,615	6,732	
Total Restricted	<u>263,953</u>	<u>146,653</u>	
Assigned to:			
Capital projects			\$2,481,059
Student activities	38,670		
Total Assigned	<u>38,670</u>		<u>2,481,059</u>
Unassigned	<u>647,858</u>		
Totals	<u>\$ 950,481</u>	<u>\$ 146,653</u>	<u>\$2,481,059</u>

12: SUBSEQUENT EVENT

On February 16, 2022, the District entered into a construction contract in the amount of \$1,562,150 for the replacement and upgrade of the HVAC system in the Elementary and High School.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

Schedule 1

	Balance June 30, 2021
Nondepreciable capital assets:	
Land	\$ 303,723
Depreciable capital assets:	
Buildings	4,280,076
Improvements/infrastructure	435,266
Equipment	2,950,327
Total depreciable capital assets	7,665,669
Less accumulated depreciation for:	
Buildings	3,531,680
Improvements/infrastructure	354,518
Equipment	2,097,835
Total accumulated depreciation	5,984,033
Total depreciable capital assets, net	1,681,636
Capital assets, net	\$ 1,985,359

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	0901		\$ 80,186
Arkansas Department of Education - National School Lunch Program	10.555	0901		140,332
Arkansas Department of Human Services - National School Lunch Program (Note 3)	10.555	0901000		13,046
Total for National School Lunch Program				153,378
Total U. S. Department of Agriculture				233,564
TOTAL CHILD NUTRITION CLUSTER				233,564
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	0901		118,033
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	0901		546
Total U. S. Department of Education				118,579
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				118,579
OTHER PROGRAMS				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	0901		4,843
Total U. S. Department of Agriculture				4,843
<u>U.S. Department of the Treasury</u>				
Arkansas Department of Education - COVID-19 - Coronavirus Relief Fund	21.019	0901		52,508
Total U.S. Department of the Treasury				52,508
<u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	0901		534,446
Total Education Stabilization Fund				534,446
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	0901		293,534
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	0901		32,462
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	0901		45,269
Total U. S. Department of Education				905,711
TOTAL OTHER PROGRAMS				963,062
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 1,315,205

The accompanying notes are an integral part of this schedule.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Dermott Special School District (District) under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 4: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5: During the year ended June 30, 2021, the District received Medicaid funding of \$20,734 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

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

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?	☐	yes	☒	no
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FEDERAL AWARDS

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	☐	yes	☒	no
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Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
84.425D	COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	☐	yes	☒	no
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DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2021-001. Internal Control

Criteria: 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.

Condition: 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: non-payroll checks were prepared by the same employee responsible for the maintenance of accounting records and such employee had unrestricted access to the District's electronic signature stamp. Payroll checks were prepared by the same employee responsible for changes to the payroll amounts, without compensating controls. The District Treasurer was responsible for receiving and depositing monies collected and preparation of bank reconciliations, without compensating controls.

Cause: 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.

Effect or potential effect: 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.

Recommendation: 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.

Views of responsible officials: We concur with the recommendation and will implement corrective procedures to the extent possible.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

DERMOTT SCHOOL DISTRICT
PO BOX 380/525 EAST SPEEDWAY

DERMOTT, AR 71638

870-538-1000

KRISTI RIDGELL, SUPERINTENDENT

DERMOTT SPECIAL SCHOOL DISTRICT

CHICOT COUNTY, ARKANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2021

FINANCIAL STATEMENT FINDINGS

2020 - Finding 2020-001: Internal Control

2019 - Finding 2019-001: Internal Control

Condition: 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 include the following: non-payroll checks were prepared by the same employee responsible for the maintenance of accounting records and such employee had unrestricted access to the District's electronic signature stamp. Payroll checks were prepared by the same employee responsible for changes to the payroll amounts, without compensating controls. The District Treasurer was responsible for receiving and depositing monies collected, and preparation of bank reconciliations, without compensating controls.

Current Status: Due to cost/benefit implications, the District was unable to adequately segregate the financial accounting duties. See Finding 2021-001 at Schedule 3.

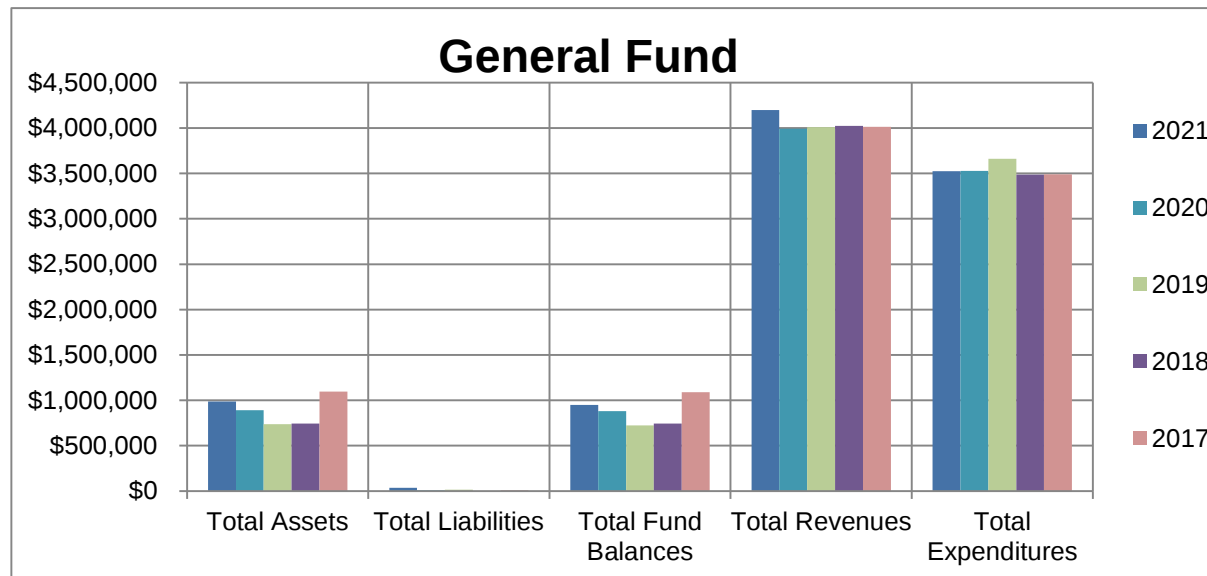
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

Schedule 5

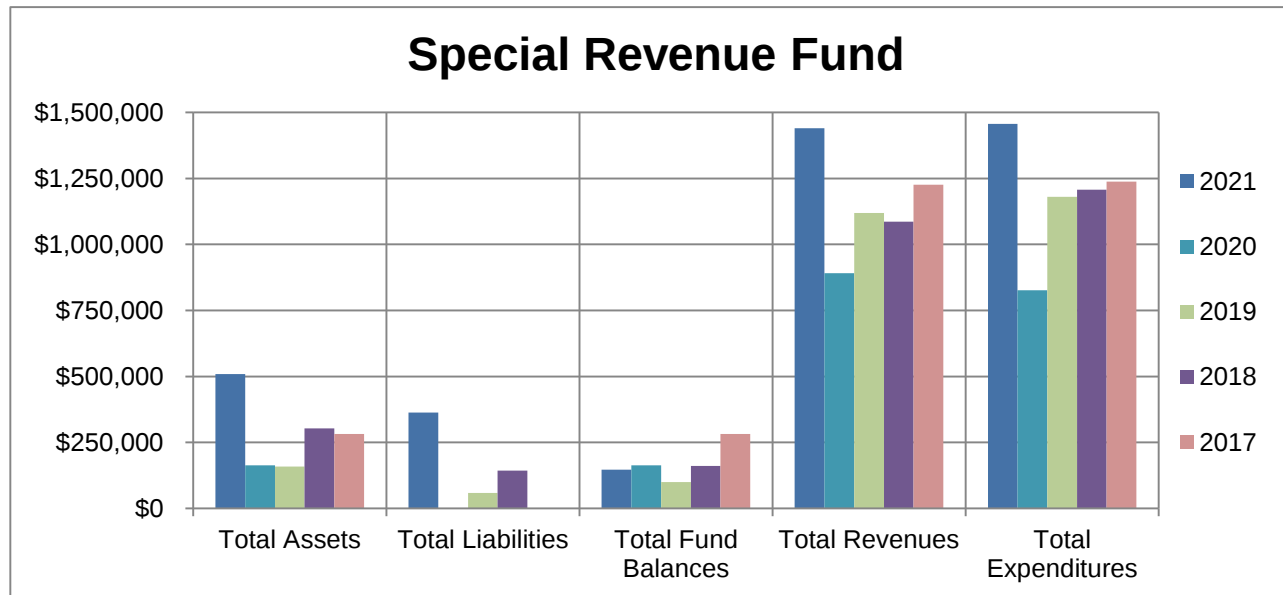
<u>General Fund</u>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 986,668	\$ 891,415	\$ 737,960	\$ 745,815	\$ 1,097,209
Total Liabilities	36,187	8,749	14,534		7,628
Total Fund Balances	950,481	882,666	723,426	745,815	1,089,581
Total Revenues	4,197,236	3,991,328	4,010,089	4,023,743	4,013,277
Total Expenditures	3,523,632	3,526,752	3,661,413	3,486,502	3,489,038
Total Other Financing Sources (Uses)	(620,169)	(305,336)	(371,065)	(881,007)	(979,136)



DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

Schedule 5

	Year Ended June 30,				
<u>Special Revenue Fund</u>	2021	2020	2019	2018	2017
Total Assets	\$ 509,280	\$ 163,172	\$ 157,937	\$ 303,673	\$ 282,108
Total Liabilities	362,627		58,373	142,894	197
Total Fund Balances	146,653	163,172	99,564	160,779	281,911
Total Revenues	1,439,964	890,419	1,118,705	1,086,104	1,225,640
Total Expenditures	1,456,483	826,811	1,179,920	1,207,236	1,237,335
Total Other Financing Sources (Uses)					



DERMOTT SPECIAL SCHOOL DISTRICT
CHICOT COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

Schedule 5

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 2,481,059	\$ 2,275,100	\$ 2,249,569	\$ 2,289,119	\$ 1,868,944
Total Liabilities			1,073		36,410
Total Fund Balances	2,481,059	2,275,100	2,248,496	2,289,119	1,832,534
Total Revenues					
Total Expenditures	414,210	295,732	411,688	424,422	357,480
Total Other Financing Sources (Uses)	620,169	322,336	371,065	881,007	979,136

