

Fordyce School District No. 39

Dallas County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2021



FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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*
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance
Management Letter

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 Expenditures of Federal Awards	2
Schedule of Findings and Questioned Costs	3
Summary Schedule of Prior Audit Findings	4
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	5

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

Fordyce School District No. 39 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 Fordyce School District No. 39 (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 *Governmental 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 January 20, 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
January 20, 2022
EDSD10221

Arkansas

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



Rep. Richard Womack
House Chair
Rep. Nelda Speaks
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

Fordyce School District No. 39 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 Fordyce School District No. 39 (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 January 20, 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 regulatory basis financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of 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 January 20, 2022.

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 black ink that reads "Matt Fink". The signature is written in a cursive, slightly slanted style.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 20, 2022

Arkansas

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Legislative Auditor

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

Fordyce School District No. 39 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Fordyce School District No. 39'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.

Basis for Qualified Opinion on AL 84.425D COVID-19 - Education Stabilization Fund

As described in the accompanying Schedule of Findings and Questioned Costs, the District did not comply with requirements regarding AL 84.425D COVID-19 - Education Stabilization Fund as described in finding number 2021-001 for Allowable Costs/Cost Principles. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on AL 84.425D COVID-19 - Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 AL 84.425D COVID-19 - Education Stabilization Fund for the year ended June 30, 2021.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002. Our opinion on each major federal program is not modified with respect to this matter.

The District's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-001 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item 2021-002 to be a significant deficiency.

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

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

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 20, 2022

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Fordyce School District No. 39 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. The District had uninsured and uncollateralized bank deposits totaling \$1,189,026 and \$645,416 at June 30, 2021 and January 31, 2021, respectively, in noncompliance with Ark. Code Ann. § 6-20-222.

A similar finding was reported in the previous audit.

2. During our examination of 25 payroll records, we noted the following discrepancies:
 - Three employees were overpaid a total amount of \$1,196 due to clerical errors.
 - Four employees were underpaid a total amount of \$138 due to clerical errors.
 - No contract was prepared for one employee.
 - A blended rate was not utilized for employees that worked in excess of 40 hours for multiple positions at different pay rates.
 - Personnel policies did not reflect the pay practices of the District.

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
January 20, 2022

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2021

Exhibit A

	Governmental Funds			
	Major			Fiduciary
	General	Special Revenue	Other Aggregate	Fund Types
ASSETS				
Cash	\$ 988,974		\$ 1,746,425	\$ 2,795
Accounts receivable	26	\$ 611,813		
Due from other funds	199,261			
TOTAL ASSETS	<u>\$ 1,188,261</u>	<u>\$ 611,813</u>	<u>\$ 1,746,425</u>	<u>\$ 2,795</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 46,187	\$ 34,287	\$ 80,625	
Due student groups				\$ 2,795
Due to other funds		199,261		
Total Liabilities	<u>46,187</u>	<u>233,548</u>	<u>80,625</u>	<u>2,795</u>
Fund Balances:				
Restricted	239,162	378,265	541,583	
Assigned	122,356		1,124,217	
Unassigned	780,556			
Total Fund Balances	<u>1,142,074</u>	<u>378,265</u>	<u>1,665,800</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,188,261</u>	<u>\$ 611,813</u>	<u>\$ 1,746,425</u>	<u>\$ 2,795</u>

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

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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)	\$ 2,102,768		
State assistance	7,177,155	\$ 2,780	\$ 3,233
Federal assistance		2,806,785	
Activity revenues	173,676		
Meal sales		1,810	
Investment income	19,074		
Other revenues	21,534	32,715	
TOTAL REVENUES	9,494,207	2,844,090	3,233
EXPENDITURES			
Regular programs	3,584,036	495,971	
Special education	1,950,184	215,788	
Career education programs	243,086	1,721	
Compensatory education programs	45,002	239,189	
Other instructional programs	291,548		
Student support services	273,696	53,159	
Instructional staff support services	356,544	1,243,722	
General administration support services	279,849	12,838	
School administration support services	372,693		
Central services support services	173,543	3,298	
Operation and maintenance of plant services	877,760	98,084	2,601,150
Student transportation services	241,529	22,488	
Other support services	17,281		
Food services operations		407,109	
Community services operations		675	
Non-programmed costs		5,441	
Activity expenditures	210,054		
Debt Service:			
Principal retirement	8,920		167,044
Interest and fiscal charges	1,080		130,916
TOTAL EXPENDITURES	8,926,805	2,799,483	2,899,110
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	567,402	44,607	(2,895,877)
OTHER FINANCING SOURCES (USES)			
Transfers in			534,857
Transfers out	(534,857)		
TOTAL OTHER FINANCING SOURCES (USES)	(534,857)		534,857
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	32,545	44,607	(2,361,020)
FUND BALANCES - JULY 1	1,109,529	333,658	4,026,820
FUND BALANCES - JUNE 30	\$ 1,142,074	\$ 378,265	\$ 1,665,800

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

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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)	\$ 1,937,300	\$ 2,102,768	\$ 165,468			
State assistance	6,319,734	7,177,155	857,421	\$ 3,000	\$ 2,780	\$ (220)
Federal assistance				1,779,103	2,806,785	1,027,682
Activity revenues		173,676	173,676			
Meal sales				30,000	1,810	(28,190)
Investment income	24,000	19,074	(4,926)			
Other revenues	11,285	21,534	10,249		32,715	32,715
TOTAL REVENUES	8,292,319	9,494,207	1,201,888	1,812,103	2,844,090	1,031,987
EXPENDITURES						
Regular programs	3,357,584	3,584,036	(226,452)	43,852	495,971	(452,119)
Special education	1,366,217	1,950,184	(583,967)	414,218	215,788	198,430
Career education programs	243,504	243,086	418		1,721	(1,721)
Compensatory education programs	41,087	45,002	(3,915)	266,550	239,189	27,361
Other instructional programs	285,122	291,548	(6,426)			
Student support services	236,148	273,696	(37,548)	79,429	53,159	26,270
Instructional staff support services	470,900	356,544	114,356	625,000	1,243,722	(618,722)
General administration support services	257,529	279,849	(22,320)	4,957	12,838	(7,881)
School administration support services	390,549	372,693	17,856			
Central services support services	161,616	173,543	(11,927)		3,298	(3,298)
Operation and maintenance of plant services	770,484	877,760	(107,276)	94,187	98,084	(3,897)
Student transportation services	167,259	241,529	(74,270)		22,488	(22,488)
Other support services	30,492	17,281	13,211			
Food services operations				373,599	407,109	(33,510)
Community services operations				1,000	675	325
Non-programmed costs				11,756	5,441	6,315
Activity expenditures		210,054	(210,054)			
Debt Service:						
Principal retirement		8,920	(8,920)			
Interest and fiscal charges		1,080	(1,080)			
TOTAL EXPENDITURES	7,778,491	8,926,805	(1,148,314)	1,914,548	2,799,483	(884,935)

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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	\$ 513,828	\$ 567,402	\$ 53,574	\$ (102,445)	\$ 44,607	\$ 147,052
OTHER FINANCING SOURCES (USES)						
Transfers in	8,601,144		(8,601,144)	38,102		(38,102)
Transfers out	(8,814,194)	(534,857)	8,279,337	(38,102)		38,102
TOTAL OTHER FINANCING SOURCES (USES)	(213,050)	(534,857)	(321,807)	0		0
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	300,778	32,545	(268,233)	(102,445)	44,607	147,052
FUND BALANCES - JULY 1	1,110,245	1,109,529	(716)	313,235	333,658	20,423
FUND BALANCES - JUNE 30	\$ 1,411,023	\$ 1,142,074	\$ (268,949)	\$ 210,790	\$ 378,265	\$ 167,475

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

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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 Fordyce 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:

Custodial Funds – Custodial 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) 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.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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 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.

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 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	5-50
Buildings	15-50
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.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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.

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.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District's highest level of decision-making authority is its Board of Education.

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.

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)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	2,487,433	2,815,000
Uninsured and uncollateralized		1,189,026
Total Deposits	<u>\$ 2,737,433</u>	<u>\$ 4,254,026</u>

The above total deposits do not include cash of \$761 which was held in the Calhoun County Treasury.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS (Continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial credit risk. At June 30, 2021, \$1,189,026 of the District's bank balance of \$4,254,026 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$1,189,026
--------------------------------	-------------

3: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 611,813
Other	\$ 26	
Totals	<u>\$ 26</u>	<u>\$ 611,813</u>

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
Bonds					
4/1/20	2/1/50	1.4 - 2.6%	\$ 3,225,000	\$ 3,225,000	
6/1/20	2/1/42	1 - 2%	6,550,000	6,445,000	\$ 105,000
Total Bonds			<u>9,775,000</u>	<u>9,670,000</u>	<u>105,000</u>
Direct Borrowings					
3/15/18	2/15/22	3.25%	245,000	64,088	180,912
8/20/18	8/20/22	4.95%	36,564	15,059	21,505
Total Direct Borrowings			<u>281,564</u>	<u>79,147</u>	<u>202,417</u>
Total Long-Term Debt			<u>\$ 10,056,564</u>	<u>\$ 9,749,147</u>	<u>\$ 307,417</u>

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

4: COMMITMENTS (Continued)

Changes in Long-term Debt

	Balance July 1, 2020	Issued	Retired	Balance June 30, 2021
Bonds payable	\$ 9,775,000		\$ 105,000	\$ 9,670,000
<u>Direct Borrowings</u>				
Installment contracts	150,111		70,964	79,147
Total Long-Term Debt	\$ 9,925,111	\$ 0	\$ 175,964	\$ 9,749,147

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2022	\$ 375,000	\$ 169,928	\$ 544,928	\$ 73,458	\$ 2,192	\$ 75,650
2023	375,000	165,877	540,877	5,689	140	5,829
2024	385,000	161,828	546,828			
2025	385,000	157,657	542,657			
2026	395,000	152,808	547,808			
2027-2031	2,085,000	682,377	2,767,377			
2032-2036	2,005,000	517,283	2,522,283			
2037-2041	2,045,000	331,697	2,376,697			
2042-2046	990,000	142,025	1,132,025			
2047-2050	630,000	41,600	671,600			
Totals	\$ 9,670,000	\$ 2,523,080	\$12,193,080	\$ 79,147	\$ 2,332	\$ 81,479

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.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Vendor payables	\$ 40,277	\$ 34,287	\$ 80,625
Payroll withholdings and matching	5,910		
Totals	<u>\$ 46,187</u>	<u>\$ 34,287</u>	<u>\$ 80,625</u>

6: INTERFUND TRANSFERS

The District transferred \$534,857 from the general fund to the other aggregate funds for debt related payments of \$224,857 and for future capital expenditures of \$310,000.

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 \$741,663, 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 \$8,003,340.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

8: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$9,775,000 issued from April 1, 2020 to June 1, 2020. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$12,193,080, payable through February 1, 2050. Principal and interest paid for the current year and total property taxes pledged for debt service were \$231,759 and \$737,334, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 31.43 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 board liability, general liability, and student accident.

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, and vehicles.

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.

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 \$134,257 for the year ended June 30, 2021.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

11: 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	\$ 2,319		
Enhanced student achievement funding	85,807		
English-language learners	9,507		
Professional development	18,346		
Capital projects			\$ 541,583
Child nutrition programs		\$ 213,774	
Medical services		161,991	
Special education programs	76,219		
Other purposes	46,964	2,500	
Total Restricted	<u>239,162</u>	<u>378,265</u>	<u>541,583</u>
Assigned to:			
Capital projects			1,124,217
Student activities	122,356		
Total Assigned	<u>122,356</u>		<u>1,124,217</u>
Unassigned	<u>780,556</u>		
Totals	<u>\$1,142,074</u>	<u>\$ 378,265</u>	<u>\$1,665,800</u>

12: SUBSEQUENT EVENT

In October 2021, the District approved a contract in the amount of \$611,647 with East-Harding, Inc. for the Arena HVAC renovations.

FORDYCE SCHOOL DISTRICT NO. 39
 DALLAS COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Unaudited)

Schedule 1

	Balance <u>June 30, 2021</u>
Nondepreciable capital assets:	
Land	\$ <u>315,046</u>
Depreciable capital assets:	
Buildings	12,618,241
Improvements/infrastructure	429,503
Equipment	<u>2,889,406</u>
Total depreciable capital assets	<u>15,937,150</u>
Less accumulated depreciation for:	
Buildings	6,719,925
Improvements/infrastructure	421,589
Equipment	<u>2,155,823</u>
Total accumulated depreciation	<u>9,297,337</u>
Total depreciable capital assets, net	<u>6,639,813</u>
Capital assets, net	\$ <u><u>6,954,859</u></u>

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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	2002		\$ 84,895
National School Lunch Program (Note 3)	10.555			9,664
Arkansas Department of Education - National School Lunch Program	10.555	2002		199,605
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	2002000		17,468
Total for National School Lunch Program				226,737
Total U. S. Department of Agriculture				311,632
TOTAL CHILD NUTRITION CLUSTER				311,632
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	2002		203,277
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	2002		18,258
Total U. S. Department of Education				221,535
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				221,535
OTHER PROGRAMS				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	2002		11,354
Total U. S. Department of Agriculture				11,354
<u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	2002		1,586,367
Total Education Stabilization Fund				1,586,367
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	2002		452,545
Arkansas Department of Education - Rural Education	84.358B	2002		4,145
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	2002		43,942
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	2002		38,274
Total U. S. Department of Education				2,125,273
TOTAL OTHER PROGRAMS				2,136,627
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 2,669,794

The accompanying notes are an integral part of this schedule.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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 Fordyce School District No. 39 (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 U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 6: During the year ended June 30, 2021, the District received Medicaid funding of \$65,030 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS 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?	<input type="text"/>	yes	<input checked="" type="text"/>	no
● Significant deficiency(ies) identified?	<input type="text"/>	yes	<input checked="" type="text"/>	none reported
Noncompliance material to financial statements noted?	<input type="text"/>	yes	<input checked="" type="text"/>	no

FEDERAL AWARDS

Internal control over major federal programs:

● Material weakness(es) identified?	<input checked="" type="text"/>	yes	<input type="text"/>	no
● Significant deficiency(ies) identified?	<input checked="" type="text"/>	yes	<input type="text"/>	none reported

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

Any audit findings disclosed that are required to be reported in
accordance with 2 CFR 200.516(a)?

<input checked="" type="text"/>	yes	<input type="text"/>	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?

<input type="text"/>	yes	<input checked="" type="text"/>	no
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FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

U.S. DEPARTMENT OF EDUCATION
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND - AL NUMBER 84.425D
PASS-THROUGH NUMBER 2002
AUDIT PERIOD - YEAR ENDED JUNE 30, 2021

2021-001. Allowable Costs/Cost Principles

Criteria: Office of Management and Budget (OMB) 2 CFR section 200.430 established principles for determining the allowable costs incurred by the District under Federal awards. Such costs are to conform to the established written policy of the non-federal entity consistently applied to both federal and non-Federal activities.

Condition: In our sample of payroll expenditures, we identified compensation for personal services totaling \$80,705 paid from Federal funds without employment contracts or authorized pay rates.

Cause: Lack of internal controls over program expenditures.

Effect or potential effect: Unauthorized cost of \$80,705 for the year ended June 30, 2021 occurred.

Questioned costs: The amount of questioned costs was \$80,705.

Context: As a result of an examination of payroll expenditures for 14 employees of 137 employees, it was determined summer school employees were paid from Federal funds without contracts or authorized pay rates; as a result we identified 34 summer school employees resulting in the \$80,705 unauthorized cost.

Recommendation: The District should contact the Arkansas Division of Elementary and Secondary Education (DESE) for guidance regarding this matter and implement proper controls over program expenditures.

Views of responsible officials: This has been corrected. The Fordyce School Board on November 8, 2021, retroactively voted to pay classified employees \$40 per hour for summer school; it voted to pay certified staff \$50 per hour for summer school; it voted to pay certified staff \$40 per hour for after school tutoring.

SIGNIFICANT DEFICIENCY

2021-002. Equipment and Real Property Management

Criteria: Property records should be maintained for equipment acquired with federal awards as specified in OMB 2 CFR section 200.313.

Condition: A test of disbursements revealed 50 laptop computers at a cost greater than \$1,000 each were not recorded in the District's equipment subsidiary ledger. The total cost of the 50 laptops was \$55,351.

Cause: The District failed to properly code equipment purchases to ensure assets are accurately added to the equipment subsidiary records.

Effect: The District's equipment subsidiary records were not accurate.

Context: Examination of 10 percent of disbursements and the District's equipment subsidiary ledger.

Recommendation: Proper records should be maintained for equipment acquired with federal awards.

Views of responsible officials: This has been corrected. The computers have been retroactively entered in the fixed asset inventory.

Fordyce Public Schools

OFFICE OF THE SUPERINTENDENT

P. O. Box 706

Fordyce, AR 71742



Phone: 870-352-3005

Fax: 870-352-7187

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED June 30, 2021

FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

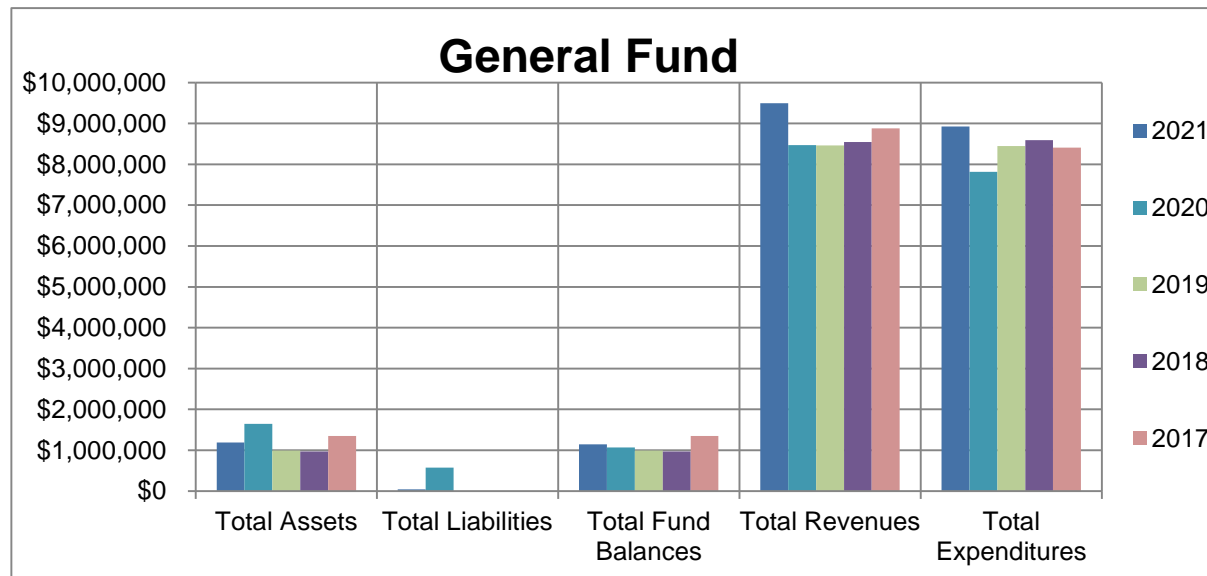
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

FORDYCE SCHOOL DISTRICT NO. 39
DALLAS COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

Schedule 5

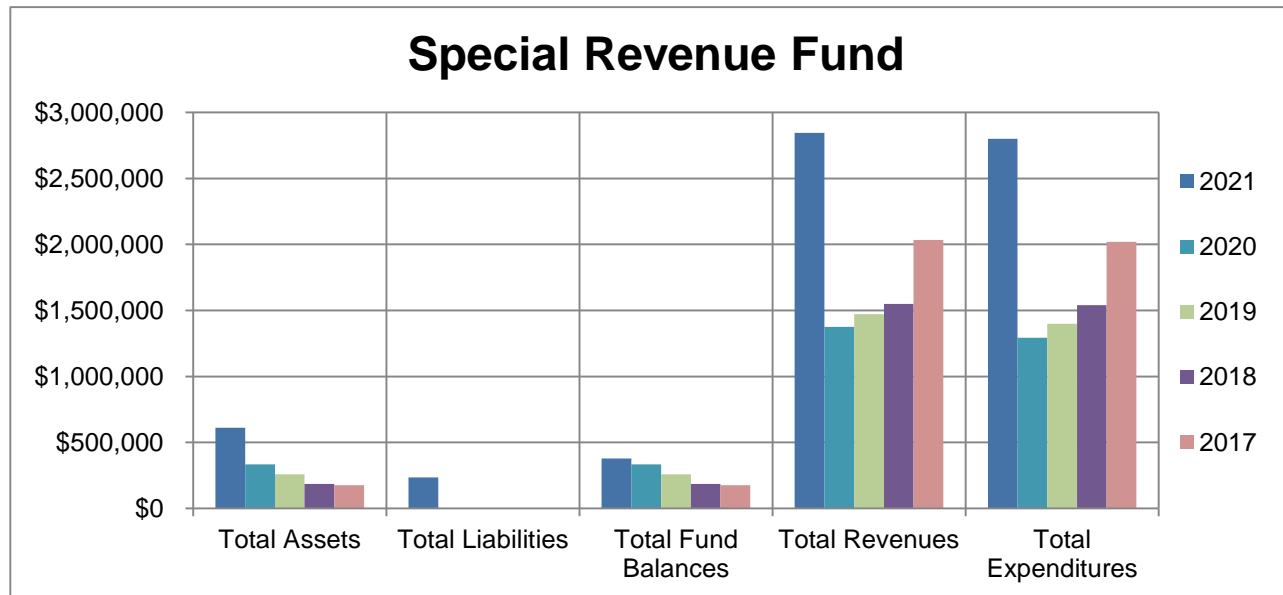
General Fund	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 1,188,261	\$ 1,649,719	\$ 994,779	\$ 970,721	\$ 1,353,134
Total Liabilities	46,187	577,614			
Total Fund Balances	1,142,074	1,072,105	994,779	970,721	1,353,134
Total Revenues	9,494,207	8,467,020	8,460,485	8,542,663	8,883,648
Total Expenditures	8,926,805	7,817,520	8,450,938	8,591,895	8,410,358
Total Other Financing Sources (Uses)	(534,857)	(572,174)	14,511	(333,181)	(769,133)



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FOR THE YEAR ENDED JUNE 30, 2021
(Unaudited)

Schedule 5

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 611,813	\$ 333,659	\$ 257,817	\$ 184,984	\$ 176,502
Total Liabilities	233,548				
Total Fund Balances	378,265	333,659	257,817	184,984	176,502
Total Revenues	2,844,090	1,375,912	1,472,395	1,548,102	2,033,058
Total Expenditures	2,799,483	1,293,834	1,399,562	1,539,620	2,020,449
Total Other Financing Sources (Uses)		(6,236)			(38,544)



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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	\$ 1,746,425	\$ 4,026,820	\$ 848,981	\$ 1,375,885	\$ 1,439,094
Total Liabilities	80,625				
Total Fund Balances	1,665,800	4,026,820	848,981	1,375,885	1,439,094
Total Revenues	3,233	12,463			
Total Expenditures	2,899,110	553,698	552,457	641,390	380,532
Total Other Financing Sources (Uses)	534,857	3,719,074	25,553	578,181	807,677

