

Guy-Perkins School District No. 34

Faulkner County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2023



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FAULKNER COUNTY, ARKANSAS
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Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Guy-Perkins School District No. 34 (the "District"), as of and for the year ended June 30, 2023, 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.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying 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, 2023, 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.

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 section of our report, the accompanying 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, 2023, or the changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. 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 of the financial statements, 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, to meet the requirements of the State of Arkansas. 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 and pervasive.

Responsibilities of Management 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis but does not include the regulatory basis financial statements and our auditor's report thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the regulatory basis financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2024 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

A handwritten signature in black ink, appearing to read "Kevin White" with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
June 25, 2024
EDSD11823

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Guy-Perkins School District No. 34 (the "District"), as of and for the year ended June 30, 2023, 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 June 25, 2024. 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 and pervasive. 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, 2023, 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.

Report on 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 were not identified. We identified a certain deficiency in internal control, described in the Audit Findings section of this report, that we consider to be a material weakness.

Report on 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*.

AUDIT FINDINGS

Material Weakness

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

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

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

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

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the Audit Findings section of this report. The District's response was not subjected to the other auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on the response.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
June 25, 2024

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2023

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
ASSETS			
Cash	\$ 795,360	\$ 248,558	\$ 1,220,216
Accounts receivable	216	55,505	
TOTAL ASSETS	\$ 795,576	\$ 304,063	\$ 1,220,216
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 123,060	\$ 53,700	\$ 42,319
Fund Balances:			
Restricted	94,445	250,363	
Assigned	57,909		1,177,897
Unassigned	520,162		
Total Fund Balances	672,516	250,363	1,177,897
TOTAL LIABILITIES AND FUND BALANCES	\$ 795,576	\$ 304,063	\$ 1,220,216

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 GOVERNMENTAL FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,070,916		
State assistance	1,330,791	\$ 1,095	
Federal assistance	8	806,823	
Activity revenues	117,357		
Meal sales		13,142	
Investment income	106,589		
Other revenues	152,178		
TOTAL REVENUES	3,777,839	821,060	
EXPENDITURES			
Regular programs	1,467,268	265,155	\$ 10,000
Special education	232,917	73,211	
Career education programs	206,774		
Compensatory education programs	29,189	111,689	
Other instructional programs	51,484		
Student support services	201,394	61,763	
Instructional staff support services	383,300	43,808	
General administration support services	136,265	700	
School administration support services	173,141	1,536	
Central services support services	144,359		
Operation and maintenance of plant services	497,610	12,453	66,855
Student transportation services	282,687		21,613
Other support services	10,656		
Food services operations	2,841	312,579	
Community services operations		25,160	
Facilities acquisition and construction services			43,583
Activity expenditures	87,604		
Debt Service:			
Principal retirement	28,918		105,000
Interest and fiscal charges	2,383		52,982
TOTAL EXPENDITURES	3,938,790	908,054	300,033
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(160,951)	(86,994)	(300,033)
OTHER FINANCING SOURCES (USES)			
Transfers in	393,849	14,620	157,982
Transfers out	(172,602)		(393,849)
Student meals		(4,076)	
Value of financed purchase	15,956		
TOTAL OTHER FINANCING SOURCES (USES)	237,203	10,544	(235,867)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	76,252	(76,450)	(535,900)
FUND BALANCES - JULY 1	596,264	326,813	1,713,797
FUND BALANCES - JUNE 30	\$ 672,516	\$ 250,363	\$ 1,177,897

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 2,050,000	\$ 2,070,916	\$ 20,916			
State assistance	1,268,002	1,330,791	62,789	\$ 1,200	\$ 1,095	\$ (105)
Federal assistance		8	8	430,296	806,823	376,527
Activity revenues		117,357	117,357			
Meal sales				7,650	13,142	5,492
Investment income	50,000	106,589	56,589			
Other revenues	162,000	152,178	(9,822)			
TOTAL REVENUES	3,530,002	3,777,839	247,837	439,146	821,060	381,914
EXPENDITURES						
Regular programs	1,342,618	1,467,268	(124,650)	38,882	265,155	(226,273)
Special education	224,462	232,917	(8,455)	133,292	73,211	60,081
Career education programs	182,048	206,774	(24,726)			
Compensatory education programs	31,965	29,189	2,776	67,978	111,689	(43,711)
Other instructional programs	18,800	51,484	(32,684)			
Student support services	200,763	201,394	(631)	102,796	61,763	41,033
Instructional staff support services	349,444	383,300	(33,856)	51,587	43,808	7,779
General administration support services	128,239	136,265	(8,026)	1,000	700	300
School administration support services	170,810	173,141	(2,331)		1,536	(1,536)
Central services support services	136,255	144,359	(8,104)			
Operation and maintenance of plant services	411,182	497,610	(86,428)		12,453	(12,453)
Student transportation services	124,182	282,687	(158,505)			
Other support services	35,000	10,656	24,344			
Food services operations	3,000	2,841	159	250,135	312,579	(62,444)
Community services operations				500	25,160	(24,660)
Activity expenditures		87,604	(87,604)			
Debt Service:						
Principal retirement	38,000	28,918	9,082			
Interest and fiscal charges	2,760	2,383	377			
TOTAL EXPENDITURES	3,399,528	3,938,790	(539,262)	646,170	908,054	(261,884)

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 130,474	\$ (160,951)	\$ (291,425)	\$ (207,024)	\$ (86,994)	\$ 120,030
OTHER FINANCING SOURCES (USES)						
Transfers in	4,432,109	393,849	(4,038,260)	23,004	14,620	(8,384)
Transfers out	(4,590,128)	(172,602)	4,417,526	(23,004)		23,004
Student meals					(4,076)	(4,076)
Value of financed purchase		15,956	15,956			
TOTAL OTHER FINANCING SOURCES (USES)	(158,019)	237,203	395,222	0	10,544	10,544
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(27,545)	76,252	103,797	(207,024)	(76,450)	130,574
FUND BALANCES - JULY 1	602,928	596,264	(6,664)	313,800	326,813	13,013
FUND BALANCES - JUNE 30	\$ 575,383	\$ 672,516	\$ 97,133	\$ 106,776	\$ 250,363	\$ 143,587

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a five member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Guy-Perkins School District (District). There are no component units.

B. Description of Funds

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

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

Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service. 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, leases, and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

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 financed purchases 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:

Asset Class	Estimated Useful Life in Years
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.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Fund Balance Classifications

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

H. Budget and Budgetary Accounting

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

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund.

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

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. 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.

L. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 310,647	\$ 312,736
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	1,953,487	1,996,600
Total Deposits	\$ 2,264,134	\$ 2,309,336

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023, were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 55,505
Other	\$ 216	
Totals	\$ 216	\$ 55,505

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

4: ACCOUNTS PAYABLE

Accounts payable at June 30, 2023, were comprised of the following:

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	<u>\$ 123,060</u>	<u>\$ 53,700</u>	<u>\$ 42,319</u>

5: COMMITMENTS

The District was contractually obligated for the following at June 30, 2023:

A. Construction Contract

Project Name	Completion Date	Contract Balance
Guy-Perkins School - 20 x 40 Weight Room	August 15, 2023	\$ 35,426

B. Lease (lease of nonfinancial assets with initial noncancelable lease terms in excess of one year)

General description of lease and leasing arrangement:

On May 31, 2023, the District executed a lease for four buses. Terms of the lease were yearly payments of \$24,250 per bus per year, \$97,000 per year for three years.

1. Future minimum lease payments (aggregate) at June 30, 2023: \$194,000
2. Future minimum lease payments for the succeeding years:

Year Ended June 30,	Amount
2024	\$ 97,000
2025	97,000
Total	<u>\$ 194,000</u>

Lease payments for the lease described above were approximately \$97,000 for the year ended June 30, 2023.

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

5: COMMITMENTS (Continued)

C. 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, 2023	Maturities To June 30, 2023
<u>Bonds</u>					
9/26/19	2/1/40	1.2 - 2.375%	\$ 2,530,000	\$ 2,295,000	\$ 235,000
<u>Direct Borrowings</u>					
2/1/18	2/1/24	3.45%	102,118	18,495	83,623
1/19/22	1/19/27	6.36%	6,399	4,787	1,612
10/12/22	10/12/25	6.39%	15,956	12,668	3,288
Total Direct Borrowings			<u>124,473</u>	<u>35,950</u>	<u>88,523</u>
Total Long-Term Debt			<u>\$ 2,654,473</u>	<u>\$ 2,330,950</u>	<u>\$ 323,523</u>

Changes in Long-term Debt

	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023
Bonds payable	\$ 2,400,000		\$ 105,000	\$ 2,295,000
<u>Direct Borrowings</u>				
Certificates of indebtedness	6,600		6,600	
Financed purchases	5,939	\$ 15,956	4,440	17,455
Installment contracts	36,373		17,878	18,495
Total Direct Borrowings	<u>48,912</u>	<u>15,956</u>	<u>28,918</u>	<u>35,950</u>
Total Long-Term Debt	<u>\$ 2,448,912</u>	<u>\$ 15,956</u>	<u>\$ 133,918</u>	<u>\$ 2,330,950</u>

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

5: COMMITMENTS (Continued)

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

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 110,000	\$ 50,419	\$ 160,419	\$ 24,922	\$ 1,568	\$ 26,490
2025	115,000	48,219	163,219	6,851	506	7,357
2026	120,000	45,919	165,919	3,322	129	3,451
2027	115,000	43,519	158,519	855	18	873
2028	115,000	41,219	156,219			
2029-2033	650,000	169,256	819,256			
2034-2038	740,000	92,681	832,681			
2039-2040	330,000	11,875	341,875			
Totals	<u>\$ 2,295,000</u>	<u>\$ 503,107</u>	<u>\$ 2,798,107</u>	<u>\$ 35,950</u>	<u>\$ 2,221</u>	<u>\$ 38,171</u>

Security for Debt Payments

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

6: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$2,530,000 issued on September 26, 2019. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$2,798,107, payable through February 1, 2040. Principal and interest paid for the current year and total property taxes pledged for debt service were \$157,519 and \$714,959, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 22.03 percent.

7: INTERFUND TRANSFERS

The District transferred \$157,982 from the general fund to the other aggregate funds for debt related payments and \$14,620 from the general fund to the special revenue funds to supplement its food service operations. Additionally, the District transferred \$393,849 from other aggregate funds to the general fund to supplement District operations.

GUY-PERKINS SCHOOL DISTRICT NO. 34
FAULKNER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

8: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 501-682-1517, 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 7% 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 15% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2023, were \$371,455, 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, 2022, (actuarial valuation date and measurement date) was \$3,643,680.

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 school board legal liability and employment practices liability coverage.

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

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

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

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2023

9: RISK MANAGEMENT (Continued)

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 \$94,904 for the year ended June 30, 2023.

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	\$ 4,375		
English-language learners	1,519		
Child nutrition programs		\$ 4,662	
Medical services		194,445	
Special education programs	34,012		
Other purposes	54,539	51,256	
Total Restricted	<u>94,445</u>	<u>250,363</u>	
Assigned to:			
Capital projects			\$1,177,897
Student activities	57,909		
Total Assigned	<u>57,909</u>		<u>1,177,897</u>
Unassigned	<u>520,162</u>		
Totals	<u>\$ 672,516</u>	<u>\$ 250,363</u>	<u>\$1,177,897</u>

GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Unaudited)

Schedule 1

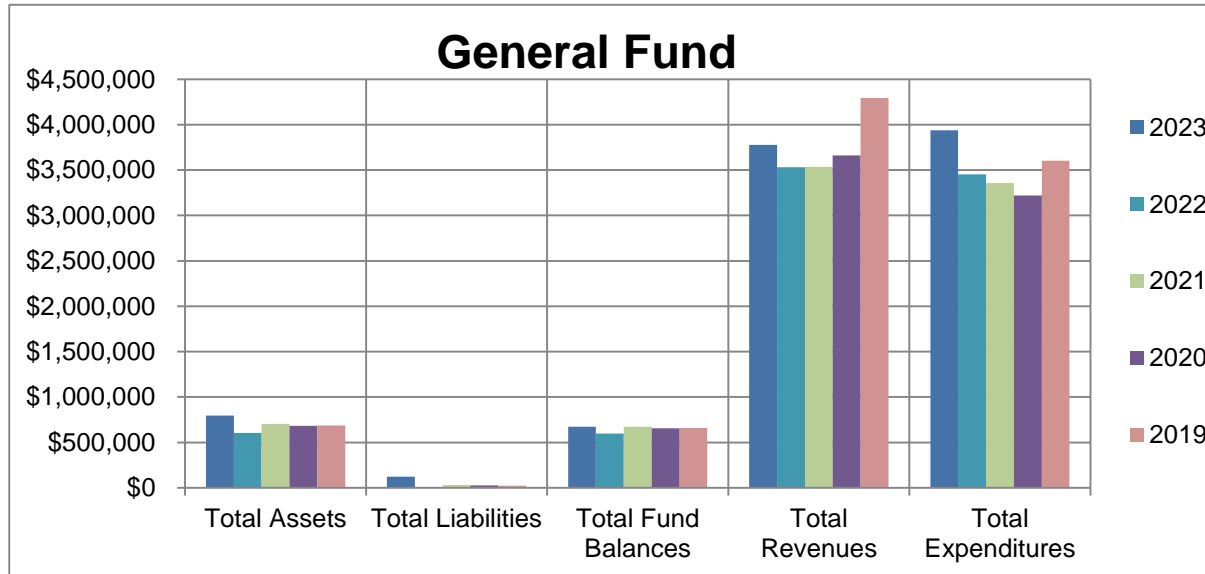
	Balance June 30, 2023
Nondepreciable capital assets:	
Land	\$ 148,433
Construction in progress	8,157
Total nondepreciable capital assets	156,590
Depreciable capital assets:	
Buildings	8,471,059
Improvements/infrastructure	163,960
Equipment	1,108,113
Total depreciable capital assets	9,743,132
Less accumulated depreciation for:	
Buildings	2,903,488
Improvements/infrastructure	78,205
Equipment	554,421
Total accumulated depreciation	3,536,114
Total depreciable capital assets, net	6,207,018
Capital assets, net	\$ 6,363,608

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

Schedule 2

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Unaudited)

General Fund	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 795,576	\$ 604,117	\$ 704,503	\$ 683,390	\$ 684,733
Total Liabilities	123,060	7,853	30,984	28,100	24,032
Total Fund Balances	672,516	596,264	673,519	655,290	660,701
Total Revenues	3,777,839	3,530,733	3,533,221	3,662,058	4,294,699
Total Expenditures	3,938,790	3,454,305	3,355,765	3,219,371	3,604,922
Total Other Financing Sources (Uses)	237,203	(153,683)	(183,005)	(448,098)	(669,327)

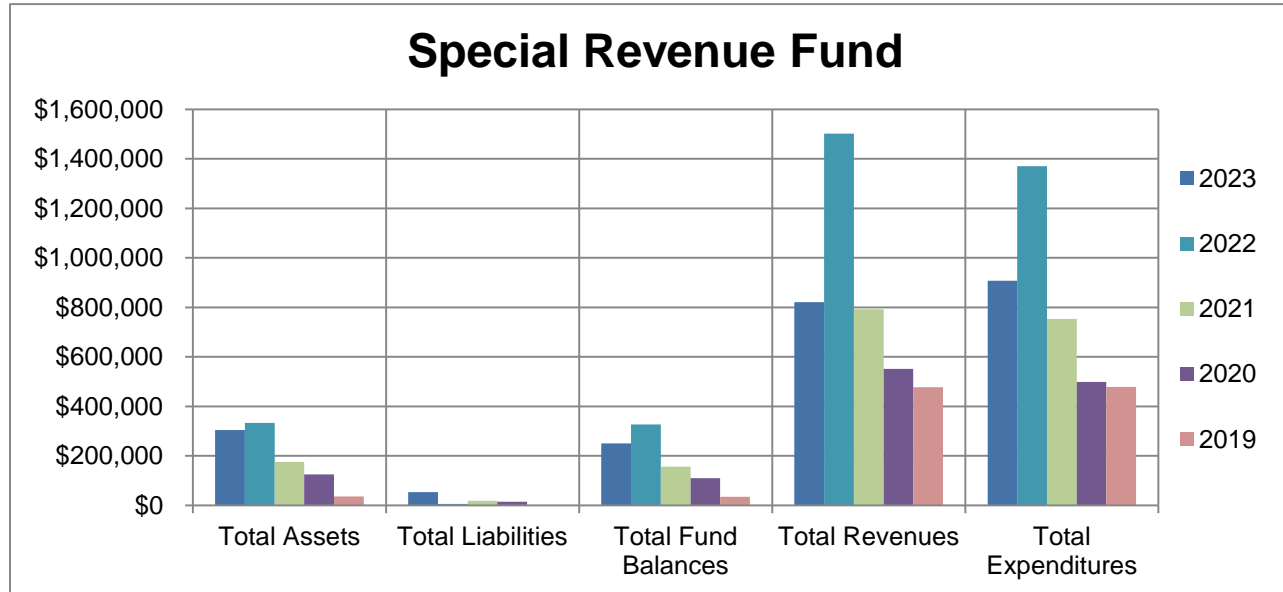


GUY-PERKINS SCHOOL DISTRICT NO. 34
 FAULKNER COUNTY, ARKANSAS

Schedule 2

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 304,063	\$ 333,057	\$ 174,817	\$ 125,409	\$ 35,915
Total Liabilities	53,700	6,244	18,211	14,797	600
Total Fund Balances	250,363	326,813	156,606	110,612	35,315
Total Revenues	821,060	1,502,365	792,860	551,896	477,012
Total Expenditures	908,054	1,370,417	753,537	498,310	478,909
Total Other Financing Sources (Uses)	10,544	38,259	6,671	21,711	21,581



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

Schedule 2

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2023
 (Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 1,220,216	\$ 1,713,797	\$ 1,830,226	\$ 1,820,972	\$ 1,533,297
Total Liabilities	42,319				
Total Fund Balances	1,177,897	1,713,797	1,830,226	1,820,972	1,533,297
Total Revenues					98
Total Expenditures	300,033	276,511	167,080	183,246	282,183
Total Other Financing Sources (Uses)	(235,867)	160,082	176,334	470,921	666,361

