

FOUNTAIN LAKE SCHOOL DISTRICT #18
REGULATORY BASIS FINANCIAL STATEMENTS
AND OTHER REPORTS
JUNE 30, 2023

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Independent Auditor's Report

To the Board of Directors of
Fountain Lake School District #18

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Fountain Lake School District #18 (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise District's basic financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective regulatory basis of 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 fund and special revenue funds for the year then ended in accordance with the basis of accounting practices prescribed or permitted by Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 as 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 financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the District as of June 30, 2023, or the changes in financial position and cash flows thereof for the year then ended.

Basis for Opinion

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 accounting practices prescribed or permitted by the State of Arkansas (the "State") to demonstrate compliance with the State's regulatory basis of accounting and budget laws, 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 and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting practices prescribed or permitted by the State to demonstrate compliance with the State's regulatory basis of accounting and budget laws. 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 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 Matters – Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic 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* is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic 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 basic financial statements as a whole.

The schedule of capital assets has not been subjected to 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 November 10, 2023 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 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.

EGP, PLLC

November 10, 2023

Certified Public Accountants & Consultants
Bryant, Arkansas

Fountain Lake School District #18
Balance Sheet - Regulatory Basis
June 30, 2023

	Governmental Funds			
	Major			
	General	Special Revenue	Other Aggregate	Fiduciary Fund Types
Assets				
Cash	\$ 2,914,118	625,506	1,703,616	1,587
Accounts receivable	-	177,227	-	-
Deposit with paying agent	-	-	1,381,429	-
Total Assets	\$ 2,914,118	802,733	3,085,045	1,587
Liability and Fund Balances				
Liabilities				
Accounts payable	\$ 230,325	26,624	606,838	-
Total Liabilities	230,325	26,624	606,838	-
Fund Balances				
Nonspendable	-	-	46,000	-
Restricted	496,571	776,109	1,362,057	1,587
Committed				
Assigned	301,417	-	1,070,150	-
Unassigned	1,885,805	-	-	-
Total Fund Balances	2,683,793	776,109	2,478,207	1,587
Total Liabilities and Fund Balances	\$ 2,914,118	802,733	3,085,045	1,587

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

Fountain Lake School District #18
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Governmental Funds - Regulatory Basis
For the Year Ended June 30, 2023

	Major		
	General	Special Revenue	Other Aggregate
Revenues			
Property taxes	\$ 15,133,339	-	-
State assistance	1,269,650	4,584	-
Federal assistance	-	3,332,311	-
Activity revenues	318,342	-	500
Meal sales	-	192,238	-
Investment income	53,242	-	24,153
Other revenues	42,167	13,690	-
Total Revenues	16,816,740	3,542,823	24,653
Expenditures			
Regular programs	6,190,085	809,658	-
Special education	1,229,315	267,327	-
Career education programs	184,221	12,238	-
Compensatory education programs	255,426	563,386	-
Other instructional programs	629,221	32,445	-
Student support services	458,838	433,972	-
Instructional staff support services	1,251,218	240,182	-
General administration support services	269,665	6,127	-
School administration support services	866,687	58,231	-
Central services support services	585,564	15,666	27,909
Operation and maintenance of plant services	2,677,359	92,990	-
Student transportation services	928,929	278,978	-
Other support services	23,499	-	-
Food services operations	38,106	791,425	-
Other enterprise operations	974	17,509	-
Community services operations	-	3,591	-
Facilities acquisition and construction services	52,297	-	804,289
Activity expenditures	281,885	-	500
Debt service:			
Principal retirement	-	-	560,000
Interest and fiscal charges	-	-	228,748
Total Expenditures	15,923,289	3,623,725	1,621,446
Excess of Revenues Over (Under) Expenditures	893,451	(80,902)	(1,596,793)
Other Financing Sources (Uses)			
Transfers in	-	-	1,412,180
Transfers out	(1,412,180)	-	-
Total Other Financing Sources (Uses)	(1,412,180)	-	1,412,180
Excess of Revenues and Other Sources Over (Under) Expenditures and other Uses	(518,729)	(80,902)	(184,613)
Fund balances - July 1	3,202,522	857,011	2,662,820
Fund Balances -June 30	\$ 2,683,793	776,109	2,478,207

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

Fountain Lake School District #18
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

	General		Variance
	Budget	Actual	Favorable (Unfavorable)
Revenues			
Property taxes	\$ 15,465,000	15,133,339	(331,661)
State assistance	1,105,626	1,269,650	164,024
Federal assistance	-	-	-
Activity revenues	-	318,342	318,342
Meal sales	-	-	-
Investment income	75,000	53,242	(21,758)
Other revenues	35,000	42,167	7,167
Total Revenues	16,680,626	16,816,740	136,114
Expenditures			
Regular programs	6,233,520	6,190,085	43,435
Special education	1,381,787	1,229,315	152,472
Career education programs	193,851	184,221	9,630
Compensatory education programs	244,965	255,426	(10,461)
Other instructional programs	813,346	629,221	184,125
Student support services	543,008	458,838	84,170
Instructional staff support services	1,375,918	1,251,218	124,700
General administration support services	314,938	269,665	45,273
School administration support services	897,553	866,687	30,866
Central services support services	623,802	585,564	38,238
Operation and maintenance of plant services	2,675,172	2,677,359	(2,187)
Student transportation services	996,167	928,929	67,238
Other support services	25,000	23,499	1,501
Food services operations	800	38,106	(37,306)
Other enterprise operations	-	974	(974)
Community services operations	-	-	-
Facilities acquisition and construction services	53,438	52,297	1,141
Activity expenditures	-	281,885	(281,885)
Total Expenditures	16,373,265	15,923,289	449,976
Excess of Revenues Over (Under) Expenditures	307,361	893,451	586,090
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(1,033,334)	(1,412,180)	(378,846)
Total Other Financing Sources (Uses)	(1,033,334)	(1,412,180)	(378,846)
Excess of Revenues and Other Sources Over (Under) Expenditures and other Uses	(725,973)	(518,729)	207,244
Fund balances - July 1	3,202,522	3,202,522	-
Fund Balances - June 30	\$ 2,476,549	2,683,793	207,244

Special Revenue		
Budget	Actual	Variance Favorable (Unfavorable)
-	-	-
4,200	4,584	384
4,090,744	3,332,311	(758,433)
-	-	-
174,000	192,238	18,238
-	-	-
7,300	13,690	6,390
4,276,244	3,542,823	(733,421)
824,863	809,658	15,205
465,050	267,327	197,723
-	12,238	(12,238)
732,445	563,386	169,059
-	32,445	(32,445)
788,022	433,972	354,050
325,064	240,182	84,882
-	6,127	(6,127)
-	58,231	(58,231)
18,512	15,666	2,846
18,358	92,990	(74,632)
281,206	278,978	2,228
-	-	-
806,096	791,425	14,671
-	17,509	(17,509)
11,265	3,591	7,674
-	-	-
-	-	-
4,270,881	3,623,725	647,156
5,363	(80,902)	(86,265)
-	-	-
-	-	-
-	-	-
5,363	(80,902)	(86,265)
857,011	857,011	-
862,374	776,109	(86,265)

Fountain Lake School District #18
Notes to the Financial Statements
June 30, 2023

1. Summary of Significant Accounting Policies

Reporting Entity

The Board of Directors, a group of five (5) permanent members, is the level of government which has governing responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Fountain Lake School District #18 (the District). The Board receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities. However, the Board of Directors is not included in any other governmental “reporting entity,” since Board members are elected by the public and have decision-making authority, the power to designate management, the responsibility to significantly influence operations, and primary accountability for fiscal matters.

Only the accounts of the Fountain Lake School District #18 are included in these statements, and there are no component units that are or should be included in the District’s reporting entity.

Regulatory Basis of Accounting/Measurement Focus

The financial statements are prepared in accordance with a regulatory basis of accounting (“RBA”). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to the 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 requires that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management’s Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

Description of Funds

The following describes the funds included in the financial statements:

Fountain Lake School District #18
Notes to the Financial Statements
June 30, 2023

- General Fund – The General Fund is the operating fund of the District and is used to account for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of Arkansas.
- 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 – Other governmental funds consist of (a) the Debt Service Fund, which is used for accumulation of resources for payment of principal, interest and related costs on general long-term debt; and (b) the Capital Projects Fund, which is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, private organizations, or other governments).
- Fiduciary Funds – Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is made up of agency funds. Trust funds are used to account for assets held by the District under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the District's own programs. Activities in these trust funds are reflected in the statement of revenues, expenditures and changes in fund balance, under the general fund. Balances in the trust funds are included in the restricted fund balances. The agency fund is custodial in nature (assets equal liabilities) and does not involve measurements of results of operations. The District's agency fund accounts for those student activity programs which have student participation in the activity and have students involved in the management of the program. This fund typically includes those student activities which consist of a student body, student president, student treasurer, and faculty advisor.

Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes.

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.

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2022 calendar year taxes collected by June 30, 2023, and 12 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2023, equaled or exceeded the 12 percent calculation.

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

Fountain Lake School District #18
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June 30, 2023

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.

Capital Assets

Information on capital assets and related depreciation is reported on the Schedule of Capital Assets included with the Supplementary Information. 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.

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 useful lives of 20 years for improvements and infrastructure; 50 years for buildings and 5-20 years for equipment.

Fund Balance Classifications

Fund balances represent the difference between assets and liabilities and are categorized as follows:

- Nonspendable fund balance – represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted fund balance – consists of 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.
- Assigned fund balance – consists of amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed.
- Unassigned fund balance – consists of amounts that have not been assigned to other funds and that have 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 for specific purposes exceed the amounts restricted, committed, or assigned to those purposes.

Interfund Receivables and Payables

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

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 –

Fountain Lake School District #18
Notes to the Financial Statements
June 30, 2023

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.

Stabilization Arrangements

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

Minimum Fund Balance Policies

The District's Board of Directors has not formally adopted a minimum fund balance policy.

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 Directors 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 (sources 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.

Estimates

The preparation of the financial statements in conformity with the regulatory basis of accounting requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

2. Cash Deposits with Financial Institutions

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Cooperative's deposit policy for custodial credit risk requires compliance with provisions of state laws. State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bond or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by bond executed by a surety company authorized to do business in the State of Arkansas. Cash deposits are carried at cost (carrying value). At June 30, 2023, none of the Cooperative's bank balances of \$5,728,978 were exposed

Fountain Lake School District #18
Notes to the Financial Statements
June 30, 2023

to custodial credit risk. The carrying values of the deposits noted above are included in the fund financial statements in the amount of \$5,239,547. The above total deposits do not include cash on hand of \$5,280.

3. Accounts Receivable

Accounts receivable at June 30, 2023 were comprised primarily of receivables related to federal assistance.

4. Long-Term Debt

A summary of the District's bond transactions for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023
May1, 2020	\$ 1,840,000	-	-	1,840,000
August 24, 2010	9,775,000	-	560,000	9,215,000
	<u>\$ 11,615,000</u>	<u>-</u>	<u>560,000</u>	<u>11,055,000</u>

A summary of each bond issue is as follows:

Date of Issue	Amount of Original Issue	Interest Rate	Payment Dates	Range of Annual Maturities
May1, 2020	\$ 9,995,000	1.10%-2.00%	12/1 and 6/1	\$220k-\$765k
August 24, 2010	1,840,000	5.00%	8/1 and 2/1	\$108,235*

*Represents annual sinking fund requirement.

Future principal and interest payments are as follows:

Year Ended June 30,	Principal	Bonds Interest	Total
2024	\$ 575,000	247,478	822,478
2025	585,000	240,588	825,588
2026	595,000	232,841	827,841
2027	2,445,000	224,591	2,669,591
2028	620,000	123,781	743,781
2029-2033	3,300,000	456,297	3,756,297
2034-2038	2,935,000	119,350	3,054,350
Totals	<u>\$ 11,055,000</u>	<u>1,644,926</u>	<u>12,699,926</u>

General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition, construction and operation of major capital facilities. General obligation bonds have been issued for the general government and to refund general obligation bonds.

General obligation bonds are direct obligations and are secured by the full faith credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue

Fountain Lake School District #18
Notes to the Financial Statements
June 30, 2023

contains an option allowing bonds to be called in inverse numerical order on or after a specific date for redemption prior to maturity.

Qualified School Construction Bonds

On August 24, 2010, the District obtained funding of \$1,840,000 from Qualified School Construction Bonds, a debt financial arrangement authorized by the American Recovery and Reinvestment Act of 2009. The District will deposit \$108,235 annually into a sinking fund for 17 years. This amount plus interest earned will be used to retire the debt when due.

5. Details of Governmental Fund Balance Classifications Displayed in Aggregate

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Nonspendable:			
Deposit with paying agent	\$ -	-	46,000
Total Nonspendable	-	-	46,000
Restricted for:			
Alternative learning environment	13,228	-	-
Enhanced student achievement funding	11,686	-	-
Professional development	42,274	-	-
Child nutrition programs	-	459,743	-
Declining enrollment	202,307	-	-
Debt service	-	-	1,362,057
Medical services	-	297,276	-
Special education programs	194,304	-	-
Other purposes	32,772	19,090	-
Total Restricted	496,571	776,109	1,362,057
Assigned to:			
Capital projects	-	-	1,070,150
Student activities	301,417	-	-
Total Assigned	301,417	-	1,070,150
Unassigned	1,885,805	-	-
Totals	\$ 2,683,793	776,109	2,478,207

6. Interfund Transfers

The District transferred \$1,412,180 from the general fund to the other aggregate funds for capital projects and debt related payments.

7. Risk Management

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

Fountain Lake School District #18
Notes to the Financial Statements
June 30, 2023

The District carries commercial insurance for board liability, student accidents, and volunteer accident and liability.

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 \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

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

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

8. Employee Retirement Systems and Plan

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 publically 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.

Fountain Lake School District #18
Notes to the Financial Statements
June 30, 2023

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7.00% 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 15.00% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2023, was \$1,507,199, equal to the required contribution for each year.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2023 (actuarial valuation date and measurement date) was \$14,017,953.

9. On-Behalf Payments

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$401,357 for the year ended June 30, 2023.

10. Pledged Revenues

The District has pledged a portion of its property taxes to retire bonds of \$11,835,000 issued from August 24, 2010 to May 1, 2020. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$12,699,926 payable through December 1, 2036. Principal and interest paid for the current year and total property taxes pledged for debt service were \$787,235 and \$3,370,223, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 14.02 percent.

11. Joint Venture

The Fountain Lake School District and Jessieville School District entered into an agreement, on January 30, 2013, to establish Alternative Learning Environment classes as well any other off-campus education programs or classes mutually agreed upon by the districts. Terms of the agreement call for each district to pay equal shares of \$350,000 to acquire the needed properties. The districts will share jointly and severally, all expenses for the maintenance, operation, management, and use of the real property. The Fountain Lake School District and Jessieville School District each have an undivided 50% ownership in the real property.

12. Date of Management's Review

Management of the District has evaluated subsequent events through November 10, 2023, the date on which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

Fountain Lake School District #18
Schedule of Capital Assets
June 30, 2023
(Unaudited)

	Balance June 30, 2023
Nondepreciable capital assets:	
Land	\$ 1,035,850
Total nondepreciable capital assets	<u>1,035,850</u>
Depreciable capital assets:	
Buildings	21,901,638
Improvements/infrastructure	3,138,824
Equipment	4,492,283
Total depreciable capital assets	<u>29,532,745</u>
Less accumulated depreciation for:	
Buildings	8,843,387
Improvements/infrastructure	2,103,235
Equipment	2,840,464
Total accumulated depreciation	<u>13,787,086</u>
Total depreciable capital assets, net	<u>15,745,659</u>
Capital assets, net	<u><u>\$ 16,781,509</u></u>

Fountain Lake School District #18
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

<u>Federal Grantor/ CLUSTER NAME/ Program Name/ Pass-through Entity</u>	<u>Federal CFDA Number</u>	<u>Grant Name</u>	<u>Expenditures Passed Through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. Department of Agriculture:</u>				
CHILD NUTRITION CLUSTER				
School Breakfast Program				
Pass-through from Arkansas Department of Education	10.553	School Breakfast Program	\$ -	107,691
National School Lunch Program	10.555	Snack Reimbursement	-	11,691
National School Lunch Program				
Pass-through from Arkansas Department of Education	10.555	National School Lunch Program	-	417,295
Pass-through from Arkansas Department of Education	10.555	Supply Chain Assistance	-	45,926
Pass-through from Arkansas Department of Human Services	10.555	Performance Based Reimbursement	-	10,052
Total National School Lunch Program			-	484,964
TOTAL CHILD NUTRITION CLUSTER			-	592,655
Total U.S. Department of Agriculture			-	592,655
<u>U.S. Department of Education:</u>				
Title I Grants to Local Education Agencies				
Pass-through from Arkansas Department of Education	84.010	Title I Grant	-	441,620
SPECIAL EDUCATION CLUSTER (IDEA)				
Special Education Grants to States		Special Education Grants		
Pass-through from Arkansas Department of Education	84.027	(IDEA Part B)	-	334,277
Special Education Preschool Grants				
Pass-through from Arkansas Department of Education	84.173	Early Childhood	-	49
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)			-	334,326
Twenty-First Century Community Learning Center:				
Pass-through from Arkansas Department of Education	84.287	21st Century Learning	-	135,896
Rural and Low Income School Program:				
Pass-through from Arkansas Department of Education	84.358	Title V - REAP	-	11,644
Supporting Effective Instruction State Grants				
Pass-through from Arkansas Department of Education	84.367	Improving Teacher Quality	-	39,492
Student Support and Academic Enrichment Program				
Pass-through from Arkansas Department of Education	84.424	Title 4	-	7,409
COVID -19 - Elementary and Secondary School Emergency Relief Fund				
Pass-through from Arkansas Department of Education	84.425D	ESSER 1	-	53,747
COVID -19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund				
Pass-through from Arkansas Department of Education	84.425U	ESSER 2	-	1,528,129
Total U.S. Department of Education				2,552,263
<u>U.S. Department of Health & Human Services:</u>				
School Health Services Surveillance Participation Incentive	93.079		-	133
Substance Abuse and Mental Health Services Projects of Regional and National				
Pass-through from Arkansas Department of Health	93.243	AR AWARE	-	8,959
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)				
Pass-through from Arkansas Department of Health	93.323		-	41,660
Total U.S. Department of Health & Human Services				50,752
Total Expenditures of Federal Awards			\$ -	3,195,670

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Fountain Lake School District No.18 (District) under programs of the federal government for the year ended June 30, 2023. 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.

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.

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

During the year ended June 30, 2023, the District received Medicaid funding of \$91,946 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.



Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

To the Board of Directors of
Fountain Lake School District #18

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 Fountain Lake School District #18 as of and for the year ended June 30, 2023, and the related notes to financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated November 10, 2023. 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, 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.

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) to determine the 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 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. Given those limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not 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, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



November 10, 2023

Certified Public Accountants & Consultants
Bryant, Arkansas



**Independent Auditor's Report on Compliance for Each Major Program
and on Internal Control over Compliance Required by the Uniform Guidance**

To the Board of Directors of
Fountain Lake School District #18

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fountain Lake School District #18's (the "District") compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing*

Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

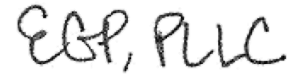
Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Handwritten signature of EGP, PLLC in black ink.

November 10, 2023

Certified Public Accountants & Consultants
Bryant, Arkansas



**Independent Auditor's Report on Compliance
with Arkansas State Requirements**

To the Board of Directors of
Fountain Lake School District #18

We have examined management's assertions that Fountain Lake School District #18 (the "District") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations designated by the Arkansas Department of Education for the year ended June 30, 2023 as follows:

- (a) Bidding & Purchasing Commodities (Arkansas Statutes 6-21-301 – 6-21-305)
- (b) Ethical Guidelines and Prohibitions (Arkansas Statutes 6-13-628; 6-24-101 et seq.);
- (c) Collateralization & Investments of Funds (Arkansas Statutes 6-20-222; 19-1-504);
- (d) Deposit of Funds (Arkansas Statutes 19-8-104; 19-8-106)
- (e) District Finances (Arkansas Statute 6-20-402);
 - Bonded & Non-bonded Debt, School Bonds (Arkansas Statutes 6-20-1201 - 6-20-1208; 6-20-1210)
 - Petty Cash (Arkansas Statute 6-20-409);
 - Changes in Pullback (no deferrals - declining accrual percentages) (Arkansas Statute 6-20-401)
 - Investment of Funds (Arkansas Statute 19-1-504)
- (f) Management of Schools
 - Board of Directors (Arkansas Statutes 6-13-604; 6-13-606; 6-13-608; 6-13-611—6-13-613; 6-13-617—6-13-620; 6-24-101 et seq.);
 - District Treasurer (Arkansas Statute 6-13-701);
 - Warrants/Checks (Arkansas Statutes 6-17-918; 6-17-919; 6-20-403);
- (g) Management Letter for Audit (Arkansas Statutes 14-75-101—14-75-104);
- (h) Nonrecurring Salary Payments (Arkansas Statute 6-20-412);
- (i) Revolving Loan Fund (Arkansas Statutes 6-19-114; 6-20-801 et seq.);
- (j) Salary Laws Classified (Arkansas Statutes 6-17-2201 et seq.; 6-17-2301 et seq.);
- (k) School Elections (Arkansas Statutes 6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118);
- (l) Teachers and Employees
 - Personnel Policies (Arkansas Statutes 6-17-201 et seq., 6-17-2301);
 - Employment and Assignment (Arkansas Statutes 6-17-301 et seq.);
 - Teacher's License Requirement (Arkansas Statutes 6-17-401 et seq.);
 - Contracts (Arkansas Statutes 6-17-801 et seq.);
 - Certification Requirements (Arkansas Statutes 6-17-309; 6-17-401);
 - Fair Dismissal Act (Arkansas Statutes 6-17-1501 et seq.; 6-17-1701 et seq.);
 - Sick Leave Policies (Arkansas Statutes 6-17-1201 et seq.; 6-17-1301 et seq.);
 - Minimum Wage Act (Arkansas Statutes 11-4-213; 11-4-218; 11-4-403; 11-4-405)
- (m) Teacher Salaries and Foundation Funding Aid (Arkansas Statutes 6-17-803; 6-17-907; 6-17-908; 6-17-911 - 6-17-913; 6-17-918; 6-17-919);
- (n) Trust Funds (Education Excellence) (Arkansas Statutes 6-5-307);
- (o) Use of Contractors, Improvement Contracts (Arkansas Statutes 22-9-201—22-9-205);
- (p) Use of DM&O Millage (Arkansas Statutes 26-80-110); and

- (q) On Behalf Payments. The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on behalf of District's Employees.
- (r) Regulatory Basis of Accounting (Arkansas Statute 10-4-413-c);
- (s) Real Estate and Personal Property Tax Appeals (Arkansas Statute 26-35-802);
- (t) Arkansas Procurement Law (Arkansas Statutes 19-11-201, et seq.);
- (u) Fiscal Accountability (Arkansas Statutes 6-20-1901, et seq.);
- (v) Enhanced Student Achievement Funding ESA (Arkansas Statute 6-20-2305(B)(4)(F)(I)); and
- (w) Limitation on Fund Balances (Arkansas Statute 6-20-2210).
- (x) CARES Act (COVID-19) Education Funding (Commissioner's Memo LS-20-089); and
- (y) Charter Facilities Funding (Arkansas Statute 6-23-908).

District management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion whether due to fraud or error. We believe that our examination provides a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, Fountain Lake School District #18 complied, in all material respects, with the aforementioned requirements for the year ended June 30, 2023.

This report is intended solely for the information and use of the governing body, management, and the Arkansas Department of Education and is not intended to be, and should not be, used by anyone other than these specified parties.

EGP, PLLC

November 10, 2023

Certified Public Accountants & Consultants
Bryant, Arkansas

Fountain Lake School District #18
Schedule of Findings and Questioned Costs
June 30, 2023

Summary of Auditor's Results

Consolidated Financial Statements

1. The opinion expressed in the independent accountants' report was:

GAAP

☐ Unmodified ☐ Qualified ☒ Adverse ☐ Disclaimed

Regulatory Basis

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

2. The independent accountants' report on internal control over financials reporting described:

Material weakness(es)? ☐ Yes ☒ No

Significant deficiency(s) noted that are not considered to be a material weakness(es)? ☐ Yes ☒ None reported

3. Noncompliance considered material to the consolidated financial statements was disclosed by the audit:

☐ Yes ☒ No

Federal Awards

4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:

Material weakness(es)? ☐ Yes ☒ No

Significant deficiency(s) noted that are not considered to be a material weakness(es)? ☐ Yes ☒ None reported

5. The opinion expressed in the independent accountants' report on compliance with requirements applicable to major federal awards was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by 2 CFR 200.516?

☐ Yes ☒ No

7. The major programs were:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.425D & 84.425U	Elementary and Secondary School Emergency Relief Fund

8. The threshold used to distinguish between Type A and Type B programs as defined in OMB 2 CFR 200.501 was \$750,000.

9. The Organization qualified as a low-risk auditee as that term is defined in 2 CFR 200.520?

☐ Yes ☒ No

Fountain Lake School District #18
Schedule of Findings and Questioned Costs
June 30, 2023

Financial Statement Findings:

**Reference
Number**

Finding

No matters are reportable.

Federal Award Findings and Questioned Costs:

**Reference
Number**

Finding

No matters are reportable.

Fountain Lake School District #18
Summary Schedule of Prior Audit Findings
June 30, 2023

Financial Statement Findings:

**Reference
Number**

Finding

2022-001

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 misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Certain key deficiencies included the following: Journal entries were not independently approved, and payroll checks were prepared by the same employee responsible for changes to the payroll accounts, without compensating controls.

Status:

Cleared

Federal Award Findings and Questioned Costs:

**Reference
Number**

Finding

No matters are reportable.

Fountain Lake School District #18
Supplemental Data Sheet
June 30, 2023

Name and Address:	Fountain Lake School District #18 4207 Park Avenue Hot Springs, AR 71901
Employer Identification Number:	71-0475989
Telephone Number:	(501) 701-1700
Fax Number:	(501) 623-6447
Director:	Dr. Michael Murphy
Contact Person:	Ms. Tanya Bowen