



**SPRINGDALE
PUBLIC SCHOOLS**

Teach them All, All means ALL.

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021

with

**REPORT OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

HQJ
CPAs & Advisors PLLC

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Education
Springdale School District No. 50
Springdale, Arkansas

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of the Springdale School District No. 50 (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with financial reporting practices prescribed or permitted by Arkansas Code § 10-4-413(c) as provided in Act 867 of 2019, which is 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.

Auditors' Responsibility

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

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

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

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

As described in Note 1, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 867 of 2019, 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 determined, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2021, or the changes in its financial position for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District, as of June 30, 2021, and the respective regulatory basis changes in financial position 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 867 of 2019 described in Note 1.

Other Matters

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of capital assets, schedule of state assistance, schedule of unit of service - Child and Adult Care Food Program and the supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The schedule of expenditures of federal awards and schedule of state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and schedule of state assistance are fairly stated in all material respects in relation to the regulatory basis financial statements as a whole.

The schedule of capital assets, schedule of units of service - Child and Adult Care Food Program and supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

To the Board of Education
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2022, on our consideration of the District's internal control over financial reporting and 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.

HCT CPAs & Advisors, PLLC

Little Rock, Arkansas
April 6, 2022

FINANCIAL STATEMENTS

SPRINGDALE SCHOOL DISTRICT NO. 50

BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2021

	Governmental Funds			
	Major			Fiduciary Fund Types
	General Fund	Special Revenue Fund	Other Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 22,517,238	\$ 12,620,737	\$ 37,135,924	\$ 1,164,961
Cash Held with Fiscal Agent	-	-	1,005,351	-
Accounts Receivable	249,817	3,631,146	4,486,230	-
Due from Other Funds	7,313,298	23,655	-	-
Total Assets	<u>\$ 30,080,353</u>	<u>\$ 16,275,538</u>	<u>\$ 42,627,505</u>	<u>\$ 1,164,961</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 952,933	\$ 529,503	\$ 2,570,357	\$ 69,646
Accrued Expenses	2,966,187	-	-	-
Due to Other Funds	-	2,850,723	4,486,230	-
Due to Student /Other Groups	-	-	-	1,095,315
Total Liabilities	3,919,120	3,380,226	7,056,587	1,164,961
Fund Balances:				
Restricted:				
State Programs	4,589,555	-	-	-
Federal Programs	-	12,895,312	-	-
Debt Service	-	-	1,005,351	-
Assigned:				
Capital Projects	-	-	34,565,567	-
Unassigned	21,571,678	-	-	-
Total Fund Balances	<u>26,161,233</u>	<u>12,895,312</u>	<u>35,570,918</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 30,080,353</u>	<u>\$ 16,275,538</u>	<u>\$ 42,627,505</u>	<u>\$ 1,164,961</u>

See accompanying notes.

SPRINGDALE SCHOOL DISTRICT NO. 50
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2021

	Major		
	General Fund	Special Revenue Fund	Other Governmental Funds
REVENUES			
Property Taxes	\$ 76,912,294	\$ -	\$ -
Interest	-	-	347,444
State Revenues	141,707,847	84,863	9,873,706
Federal Revenues	-	40,938,475	-
Food Services	-	222,998	-
Other	1,252,340	14,612	551,500
	<u>219,872,481</u>	<u>41,260,948</u>	<u>10,772,650</u>
EXPENDITURES			
Current:			
Instruction and Instructional-Related Services	120,076,517	17,024,968	71,248
Support Services	69,029,566	10,942,557	237,922
Non-Instructional Services	5,778	12,633,101	4,273,548
Debt Service:			
Principal	-	-	5,535,000
Interest	-	-	6,471,034
Paying Agent's Fees	-	-	7,270
Capital Outlay	<u>2,287,990</u>	<u>393,986</u>	<u>25,296,517</u>
	<u>191,399,851</u>	<u>40,994,612</u>	<u>41,892,539</u>
Excess (Deficiency) of Revenues Over Expenditures	28,472,630	266,336	(31,119,889)
OTHER FINANCING (USES) SOURCES			
Good Faith Deposit for Future Bond Issuance	-	-	1,892,000
Gain on Sale of Assets	7,178	-	1,836,142
Indirect Costs	157,702	(157,702)	-
Transfers, Net	(27,060,211)	(54,631)	27,114,842
Total Other Financing (Uses) Sources	<u>(26,895,331)</u>	<u>(212,333)</u>	<u>30,842,984</u>
Net Change in Fund Balances	1,577,299	54,003	(276,905)
Fund Balance - Beginning	<u>24,583,934</u>	<u>12,841,309</u>	<u>35,847,823</u>
Fund Balance - Ending	<u>\$ 26,161,233</u>	<u>\$ 12,895,312</u>	<u>\$ 35,570,918</u>

See accompanying notes.

SPRINGDALE SCHOOL DISTRICT NO. 50**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS -
REGULATORY BASIS****YEAR ENDED JUNE 30, 2021**

	General Fund		
	Budget	Actual	Variance
REVENUES			
Property Taxes	\$ 72,100,000	\$ 76,912,294	\$ 4,812,294
State Revenues	140,323,996	141,707,847	1,383,851
Federal Revenues	-	-	-
Food Services	-	-	-
Other	630,000	1,252,340	622,340
	<u>213,053,996</u>	<u>219,872,481</u>	<u>6,818,485</u>
EXPENDITURES			
Current:			
Instruction and Instructional-Related Services	128,001,413	120,076,517	7,924,896
Support Services	76,554,580	69,029,566	7,525,014
Non-Instructional Services	534,864	5,778	529,086
Capital Outlay	954,750	2,287,990	(1,333,240)
	<u>206,045,607</u>	<u>191,399,851</u>	<u>14,645,756</u>
Excess of Revenues over Expenditures	7,008,389	28,472,630	21,464,241
OTHER FINANCING SOURCES (USES)			
Gain on Sale of Assets	-	7,178	7,178
Indirect Costs	271,003	157,702	(113,301)
Transfers, Net	(12,113,234)	(27,060,211)	(14,946,977)
Net Change in Fund Balances	<u>\$ (4,833,842)</u>	<u>\$ 1,577,299</u>	<u>\$ 6,411,141</u>

See accompanying notes.

Special Revenue Fund

Budget	Actual	Variance
\$ -	\$ -	\$ -
92,000	84,863	(7,137)
38,021,400	40,938,475	2,917,075
700,000	222,998	(477,002)
-	14,612	14,612
38,813,400	41,260,948	2,447,548
14,219,248	17,024,968	(2,805,720)
11,953,709	10,942,557	1,011,152
13,021,470	12,633,101	388,369
332,787	393,986	(61,199)
39,527,214	40,994,612	(1,467,398)
(713,814)	266,336	980,150
-	-	-
(316,779)	(157,702)	159,077
-	(54,631)	(54,631)
<u>\$ (1,030,593)</u>	<u>\$ 54,003</u>	<u>\$ 1,084,596</u>

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Springdale School District No. 50 (the "District") operates schools for students in grades Pre-Kindergarten through twelve in Springdale, Arkansas. The District operates under current standards prescribed by the Arkansas Department of Education in accordance with the provision of the School Laws of Arkansas. The Board of Education, a seven (7) 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 District. There are no component units.

Fund Accounting

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

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes 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 expenditures for principal and interest.

Fiduciary Fund types include the following:

Private Purpose Trust Fund - Private Purpose Trust Fund accounts for activities that are not District programs, but are programs sponsored by private districts or other governments. Although the District serves as fiscal agent, the funds received and held under these programs are not available to support the District's activities and programs but are received and held for the benefit of individuals, private districts or other governments participating in the sponsored programs. The programs accounted for within this are expendable trust funds. The District does not have any private purpose accounts at year end.

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

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Ark. Code Ann. 10-4-413(c), as provided in Act 867 of 2019, 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 requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires 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, 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, if any, will be reflected in the notes to the financial statements.

Revenue Recognition Policies

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

Capital Assets

Information on capital assets and related depreciation is reported in the accompanying schedule of capital assets. 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 fair value when received. The District maintains a threshold level of \$2,500 for capitalizing equipment. Library holdings are not capitalized.

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

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

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Property Taxes

Property taxes are levied in November based on property assessments made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on 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.

Fund Balance Classifications

Fund balance is reported under the following five classifications:

1. **Nonspendable Fund Balance** - includes amounts that are not in a spendable form or are required to be maintained intact. The District does not have any nonspendable fund balance at year end.
2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for State Programs and Restricted for Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The Debt Service Fund Balance reflects amounts for future debt payments.
3. **Committed Fund Balance** - includes amounts that can be used only for the specific purposes determined by a formal action of the District's highest level of decision-making authority (the Board of Education) and does not lapse at year end. The District does not have any committed fund balance at year end.
4. **Assigned Fund Balance** - includes amounts intended for a specific purpose by the Board of Education or by a District official that has been delegated authority to assign amounts. The District has assigned portions of its fund balance for construction or other capital outlay projects.
5. **Unassigned Fund Balance** - includes any remaining fund balance that has not been reported in any other classification. 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.

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 common for an individual source of funds to contain restricted and unrestricted (committed, assigned or unassigned) funds. The District has 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. The District's policy is to have expenditures spent from restricted amounts first at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District has 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 fund balance (if any) is reduced first, followed by assigned fund balance, and lastly unassigned fund balance.

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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.

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.

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.

Interfund Receivables and Payables

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

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.

Minimum Fund Balance Policies

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

Encumbrances

The District does not utilize encumbrance accounting.

Subsequent Events

The District has evaluated all subsequent event for potential recognition and disclosure through April 6, 2022, the date these financial statements were available to be issued.

Note 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:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized - Held by Pledging Bank or Pledging Bank's Trust Department in the District's Name	<u>73,188,860</u>	<u>81,422,310</u>
Total Deposits	<u>\$ 73,438,860</u>	<u>\$ 81,672,310</u>

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 3: Cash Held with Fiscal Agent

Cash held with fiscal agent includes funds held in escrow totaling \$1,005,351 that represent sinking fund deposits for Qualified School Construction Bonds and are required to be used for future principal payments. The balance is held at a financial institution in Arkansas and is insured by the FDIC up to \$250,000. The remaining amount in excess of FDIC insurance of \$755,351 at June 30, 2021, is collateralized by pledged securities held by the bank.

Note 4: Accounts Receivable

The account receivable balance of \$8,367,193 is comprised of the following at June 30, 2021:

<u>Class of Receivable</u>	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Due from Other Governments	\$ 249,817	\$ 3,631,146	\$ 4,486,230	\$ 8,367,193

Note 5: Commitments

Construction Commitments

The District was contractually obligated for one construction contract related to construction and renovation projects within the District, with a remaining contract balance of approximately \$9,500,000 at June 30, 2021.

Long-Term Debt Issued and Outstanding

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2021</u>	<u>Maturities to June 30, 2021</u>
Bonds Payable:					
9/27/2011	9/27/2021	4.48%	\$ 1,115,456	\$ 1,115,456	\$ -
9/1/2012	6/1/2041	2.00 - 3.70%	37,025,000	29,040,000	7,985,000
11/1/2014	6/1/2041	0.85 - 3.65%	3,465,000	2,735,000	730,000
9/1/2015	6/1/2041	3.00 - 3.75%	22,810,000	20,250,000	2,560,000
3/1/2017	6/1/2041	3.25 - 5.00%	123,010,000	114,785,000	8,225,000
Totals			<u>\$ 187,425,456</u>	<u>\$ 167,925,456</u>	<u>\$ 19,500,000</u>

SPRINGDALE SCHOOL DISTRICT NO. 50**NOTES TO FINANCIAL STATEMENTS****JUNE 30, 2021**

Changes in long-term debt:

<u>Description</u>	<u>Balance June 30, 2020</u>	<u>Issued</u>	<u>Refunded/ Retired</u>	<u>Balance June 30, 2021</u>
Bonds Payable	\$ 172,345,000	\$ -	\$ 5,535,000	\$ 166,810,000
Qualified School Construction Bonds	<u>1,115,456</u>	<u>-</u>	<u>-</u>	<u>1,115,456</u>
Totals	<u>\$ 173,460,456</u>	<u>\$ -</u>	<u>\$ 5,535,000</u>	<u>\$ 167,925,456</u>

Total long-term debt principal and interest payments are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 6,870,456	\$ 6,284,579	\$ 13,155,035
2023	6,000,000	5,987,806	11,987,806
2024	6,255,000	5,729,757	11,984,757
2025	6,480,000	5,501,432	11,981,432
2026	6,720,000	5,264,607	11,984,607
2027 - 2031	37,300,000	22,637,554	59,937,554
2032 - 2036	44,505,000	15,558,873	60,063,873
2037 - 2041	<u>53,795,000</u>	<u>6,426,208</u>	<u>60,221,208</u>
Totals	<u>\$ 167,925,456</u>	<u>\$ 73,390,816</u>	<u>\$ 241,316,272</u>

Note 6: Accounts Payable and Accrued Expenses

The accounts payable balance of \$4,122,439 is fully comprised of vendor payables at June 30, 2021. Accrued expenses totaling \$2,966,187 include payroll taxes and payroll benefits payable at June 30, 2021.

Note 7: Operating Lease

The District leases office equipment under a non-cancelable operating lease with an original term of 5 years which will be charged to expense over the lease term as it becomes payable. The lease agreement was extended another year through July 2021. Lease expense totaled approximately \$85,539 for the year ending June 30, 2021.

Note 8: Interfund Transfers

The following details the transfers between governmental funds for operating purposes:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Transfers in	\$ 260,276,078	\$ -	\$ 45,102,658	\$ 305,378,736
Transfers out	<u>(287,336,289)</u>	<u>(54,631)</u>	<u>(17,987,816)</u>	<u>(305,378,736)</u>
	<u>\$ (27,060,211)</u>	<u>\$ (54,631)</u>	<u>\$ 27,114,842</u>	<u>\$ -</u>

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 9: Retirement Plans

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 all Arkansas public school employees, except certain nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution 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 or by calling 1-800-666-2877.

Arkansas Teacher Retirement System

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6.50% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14.50%.

The District's contributions to ATRS for nonfederally-funded employees for the years ended June 30, 2021, 2020, and 2019 were \$19,955,661, \$19,369,925, and \$18,498,817 respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2021, 2020, and 2019 were \$2,470,673, \$1,944,289 and \$1,959,936, respectively, equal to the required contributions 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, 2020 (actuarial valuation date and measurement date) was \$270,395,243.

Note 10: Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. The District carries commercial insurance for coverage of buildings' contents, board liability, theft, student accidents, bus drivers, and business trip accidental death and dismemberment. 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.

The District is a member of the Arkansas School Board Association self-insurance program, a public entity risk pool currently operating a common risk management and insurance program for its members. The fund was created by members to formulate, develop and administer a program of self-funding for the fund's membership, obtain lower costs for Workmen's Compensation Coverage and develop a comprehensive loss control program. The District pays an annual premium to the fund for its Workmen's Compensation Coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reissue through commercial carriers for claims in excess of specified stop loss amounts.

SPRINGDALE SCHOOL DISTRICT NO. 50

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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.

Note 11: Litigation and Contingencies

The District participates in federally assisted grant programs. The District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

Note 12: On Behalf Payments

During the year ended June 30, 2021, health insurance premiums of \$3,740,954 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District employees.

Note 13: Subsequent Events

Subsequent to year-end, the District issued refunding and construction bonds of \$94,600,000 dated July 1, 2021 with interest rates of 2.00 to 5.00% and maturing June 1, 2051, which refunded the September 1, 2012 Series Bonds, November 1, 2014 Series Bonds, and the September 1, 2015 Series Bonds with a total outstanding principal balance of \$52,025,000 as of June 30, 2021.

The District also issued refunding and construction bonds of \$171,345,000 dated March 30, 2022 with interest rates of 3.00% to 5.00% and maturing June 1, 2051, which refunded the March 1, 2017 Series Bonds with a total outstanding principal balance of \$114,785,000 as of June 30, 2021.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

SPRINGDALE SCHOOL DISTRICT NO. 50

SCHEDULE OF CAPITAL ASSETS

YEAR ENDED JUNE 30, 2021

(Unaudited)

Nondepreciable Capital Assets:

Land	\$ 21,645,263
Construction in Progress	12,926,674
Total Nondepreciable Capital Assets	<u>34,571,937</u>

Depreciable Capital Assets:

Site Improvements	15,854,288
Buildings	377,380,599
Machinery and Equipment	41,288,698
Total Depreciable Capital Assets	<u>434,523,585</u>

Less Accumulated Depreciation for:

Site Improvements	3,860,940
Buildings	103,980,129
Machinery and Equipment	25,001,789
Total Accumulated Depreciation	<u>132,842,858</u>

Total Depreciable Capital Assets, Net	<u>301,680,727</u>
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Capital Assets, Net	<u><u>\$ 336,252,664</u></u>
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SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grant/Pass-Through Grantor/Program Title	Pass Through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	7207	10.553	\$ 2,703,928
After School Snack Program - Cash Assistance	7207	10.555	33,900
Performance Based Reimbursement from Child Nutrition	7207	10.555	146,611
National School Lunch Program - Cash Assistance	7207	10.555	<u>7,390,519</u>
Total Arkansas Department of Education			10,274,958
Passed through Arkansas Department of Human Services:			
National School Lunch Program - Non-Cash Assistance	7207	10.555	<u>1,139,249</u>
Total Arkansas Department of Human Services			1,139,249
Total Child Nutrition Cluster			<u>11,414,207</u>
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title VI - Part B - Special Education Grants to States	7207	84.027	4,268,605
Title VI - Special Education - Preschool Grants	7207	84.173	<u>129,305</u>
Total Special Education Cluster			<u>4,397,910</u>
OTHER PROGRAMS:			
<u>U.S. Department of Agriculture</u>			
Direct programs:			
Fresh Fruit and Vegetable Program	N/A	10.575	9,281
Passed through Arkansas Department of Human Services:			
Child and Adult Care Food Program	7207	10.558	217,697
Passed through Arkansas Department of Education:			
Fresh Fruit and Vegetable Program	7207	10.582	<u>124,346</u>
Total U.S. Department of Agriculture			<u>351,324</u>
<u>U.S. Department of Justice</u>			
Passed through Arkansas Department of Education:			
Stop School Violence	7207	16.839	<u>17,506</u>
Total U.S. Department of Justice			<u>17,506</u>
<u>U.S. Department of The Treasury</u>			
Passed through Arkansas Department of Education:			
COVID-19 Coronavirus Relief Fund	7207	21.019	<u>743,143</u>
Total U.S. Department of The Treasury			<u>743,143</u>
<u>U.S. Department of Education</u>			
Direct programs:			
Rehabilitation Services Vocational Rehabilitation	N/A	84.126	<u>2,924</u>
Total Direct programs			2,924
Passed through Arkansas Department of Career Education:			
Carl D. Perkins Career and Education Act - Basic Grants	7207	84.048	<u>317,086</u>
Total Basic Grants			317,086
Passed through Arkansas Department of Education:			
Title I, Part A - Grants to Local Education Agencies	7207	84.010	5,756,501
Title I, Part D - Neglected and Delinquent Children	7207	84.010	<u>114,363</u>
Total Title I			5,870,864

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2021

Federal Grant/Pass-Through Grantor/Program Title	Pass Through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
Migrant Education	7207	84.011	296,847
Comprehensive Literacy Development	7207	84.371	73,631
Title IV - B, 21st Century Community Learning Centers	7207	84.287	846,267
Title III, English Language Acquisition	7207	84.365	678,732
Title II, Part A - Improving Teacher Quality	7207	84.367	624,416
Education for Homeless Children and Youth	7207	84.196	72,143
COVID-19 Education Stabilization Fund - ESSER I	7207	84.425D	4,536,074
COVID-19 Education Stabilization Fund - ESSER II	7207	84.425D	4,162,671
COVID-19 Education Stabilization Fund - COVID Emergency Leave	7207	84.425D	202,269
Total Arkansas Department of Education			<u>17,363,914</u>
Total U.S. Department of Education			<u>17,683,924</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Education:			
Temporary Assistance for Needy Families	7207	93.558	2,600,000
COVID-19 Comprehensive School Health - Aids Education Act	7207	93.981	16,949
Comprehensive School Health - Aids Education Act	7207	93.981	19,500
Passed through Arkansas Department of Human Services:			
COVID-19 Child Care and Development Block Grant	7207	93.575	674,711
Child Care and Development Block Grant	7207	93.575	866,217
Total U.S. Department of Health and Human Services			<u>4,177,377</u>
Total Other Programs			<u>22,973,274</u>
Total Expenditures of Federal Awards			<u>\$ 38,785,391</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. This schedule includes the federal awards activity of the District and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District did elect to use the 10% de minimis indirect cost rate.
2. Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$1,580,442 are not covered by the reporting requirements of the Uniform Guidance.
3. Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
4. The District received approval from the Arkansas Department of Education to transfer \$419,128 Title IV - Student Support and Academic Enrichment funds to Title I, Part A - Grants to Local Education Agencies.

**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 Education
Springdale School District No. 50
Springdale, Arkansas

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 Springdale School District No. 50 (the "District"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated April 6, 2022.

We issued an adverse opinion because the District prepared the financial statements in conformity with accounting practices prescribed or permitted by the 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 these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position thereof, and the budgetary results 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 financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for determining 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 entity'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.

To the Board of Education
Page Two

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying schedule of findings and questioned costs as item 2021-001.

Springdale School District No.50's Response to Finding

The District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCI CPAs & Advisors, PLLC

HCI CPAs & Advisors, PLLC
Little Rock, Arkansas
April 6, 2022

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 Education
Springdale School District No. 50
Springdale, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Springdale School District No. 50 (the "District") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

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

Report on Internal Control over Compliance

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

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identify a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2021-002 that we consider to be a material weakness.

To the Board of Education
Page Three

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

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

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
April 6, 2022

SPRINGDALE SCHOOL DISTRICT NO. 50

SCHEDULE OF STATE ASSISTANCE

YEAR ENDED JUNE 30, 2021

Arkansas Department of Education

State Foundation Funding	\$ 111,345,688
Bonded Debt Assistance	994,140
Student Growth Funding	388,218
State Partnership Funding	9,873,706
Professional Development Funding	795,873
LEP Allocation	2,677,664
Food Service State Matching	84,863
Special Education - Catastrophic Occurrences	643,770
Alternative Learning	2,346,038
Enhanced Student Achievement Funding	16,603,698
Enhanced Student Achievement Funding Matching Grant	304,935
Arkansas Better Chance Program	789,396
Tobacco Excise Grant	97,492
AP Exam Award	48,276
Wellness Center	105,000
Extended School Year Funding	47,064
Child Supervision Extended School Year Funding	116,851
National Board Certification	1,694,831
Early Childhood Special Education	416,837
Residential Treatment	1,845,804
Governor's Computer Science Grant	14,150
Computer Science Bonus	14,047
Early Intervention Day Treatment Centers	148,008
Teacher of the Year	68,007

151,464,356

Arkansas Department of Career Education

SVAC Funding	64,729
VOC New Program Start-Up	137,331

Total State Assistance

\$ 151,666,416

SPRINGDALE SCHOOL DISTRICT NO. 50

SCHEDULE OF UNITS OF SERVICE - CHILD AND ADULT CARE FOOD PROGRAM

YEAR ENDED JUNE 30, 2021
(UNAUDITED)

Month	Meals Served			
	Breakfast	Lunch	Dinner	Snack
July 2020	-	-	-	-
August 2020	-	-	47	3,273
September 2020	-	-	3,631	13,915
October 2020	-	-	6,538	13,997
November 2020	-	-	4,703	10,709
December 2020	-	-	2,673	8,487
January 2021	-	-	4,455	13,261
February 2021	-	-	3,918	9,637
March 2021	-	-	5,229	13,594
April 2021	-	-	6,338	16,475
May 2021	-	-	2,531	13,880
June 2021	-	-	-	-
Total	-	-	40,063	117,228

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. Our report expresses an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on a regulatory basis of accounting on the basic financial statements of Springdale School District No. 50.

2. The independent auditor's report on internal control over financial reporting described:

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☒ Yes ☐ No

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

☐ Yes ☒ No

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

Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Material weakness(es) identified? ☒ Yes ☐ No

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

☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by The Uniform Guidance?

☒ Yes ☐ No

7. The Auditee's major programs were:

Cluster/Program	Assistance Listing Number(s)
• Education Stabilization Fund	84.425D
• Coronavirus Relief Fund	21.019
• Temporary Assistance for Needy Families	93.558
• Special Education Cluster	84.027 and 84.173

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$1,163,562.

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

9. The Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

☐
Yes

☒
No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2021-001 Theft of District Property

Statement of Condition: The lead employee in the HVAC department of the District purchased HVAC systems on behalf of the District and then installed the systems at jobs associated with his personal HVAC business. The employee would provide District vendors with a completed District Purchase Authorization (PA) listing the school and room number of the system to be replaced. In some instances, the HVAC system listed on the PA was repaired instead of being replaced. In other instances, no repairs were needed to the units listed on the PA. Once the new HVAC equipment arrived, the employee would pick up the units either at the vendor or the District's warehouse and take them to his personal residence to use in his personal HVAC business.

Criteria: The District has a responsibility to design and implement controls to prevent and detect misappropriation. The controls in place did not prevent or detect this misappropriation.

Cause of condition: No controls were in place to verify that the HVAC systems purchased on behalf of the District were actually replaced.

Effect of condition: The District has a list of \$99,944 of missing units and other HVAC related inventory that was ordered and purchased by the District.

Context: Upon discovering missing HVAC units, the District reviewed all purchases from HVAC vendors during the time period that the former employee was in charge of the HVAC department (and an additional six months prior to that time). As a result of the review, it was determined that \$99,944 of HVAC inventory was missing.

Recommendation: Implement controls requiring more than one person assess condition of property and implement a supervisory review process in which someone other than the employee who performed the maintenance work verify that the work was performed.

Views of responsible officials and planned corrective actions: The District agrees with the finding and recommended controls have been put in place.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

MATERIAL WEAKNESS

U.S. Department of Health and Human Services Passed through Arkansas Department of Education

Temporary Assistance for Needy Families: Assistance Listing Number 93.558

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

2021-002 Eligibility Determination

Statement of Condition: Eligibility determination performed by District management for the Temporary Assistance for Needy Families was performed incorrectly.

Criteria: Per the terms and conditions of the award document for the Temporary Assistance for Needy Families program, eligibility for this program is for children three to four years old and the gross family income of the child is below or equal to the 200% federal poverty level and sliding scale. The District is responsible for determining eligibility and has procedures in place to determine eligibility.

Cause of condition: Procedures are in place to determine eligibility but are ineffective due to incorrect application of the program's definition of gross family income.

Effect of condition: During testing, it was noted that eligibility was not properly determined by District staff.

Context: For the Temporary Assistance for Needy Families program, a sample of 60 children was selected to test program eligibility controls and compliance. The audit testing found 7 discrepancies related to the controls for eligibility which resulted in 3 instances of noncompliance totaling \$4,767.

Recommendation: Ensure all staff performing eligibility determination are properly informed of eligibility requirements or establish review procedure in which individuals with proper knowledge review all eligibility determination documentation prior to making determination.

Views of responsible officials and planned corrective actions: The District agrees with the finding and staff members have been retrained with regards to determining student eligibility in the TANF program. The Director of Pre K will review and verify staff members' work regarding eligibility.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

U.S. Department of Health and Human Services Passed through Arkansas Department of Education

Temporary Assistance for Needy Families: Assistance Listing Number 93.558

2020-001 Eligibility Determination

Statement of Condition: Eligibility determination performed by District management for the Temporary Assistance for Needy Families was performed incorrectly.

Recommendation: Ensure all staff performing eligibility determination are properly informed of eligibility requirements or establish review procedure in which individuals with proper knowledge review all eligibility determination documentation prior to making determination.

Current Status: The recommendation was implemented in 2020, however, the 2020 eligibility determinations had already been made prior to recommendation implementation. As such, a similar finding was noted in the June 30, 2021 audit, finding 2021-002.

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021

SIGNIFICANT DEFICIENCIES

U.S. Department of Health and Human Services Passed through Arkansas Department of Education

Temporary Assistance for Needy Families: Assistance Listing Number 93.558

U.S. Department of Agriculture Passed through Arkansas Department of Education and Arkansas Department of Human Services

Child Nutrition Cluster: School Breakfast Program: Assistance Listing Number 10.553 and National School Lunch Program: Assistance Listing Number 10.555

2020-002 Completion of Time Certifications

Statement of Condition: Although payroll reports supporting employees' work in the Temporary Assistance for Needy Families (TANF) and Child Nutrition Cluster programs were available for inspection, time certifications were not completed for 1 out of 40 employees tested for TANF and 1 out of 21 employees tested for Child Nutrition Cluster.

Recommendation: To ensure all time certifications are completed by employees who work within federal programs, a review of completed time certifications should be compared to the employee listing for all federal program employees and procedures should be put in place to collect time certifications during the employee termination or transfer of position process.

Current Status: The recommendation was implemented in 2020. No similar findings were noted in the June 30, 2021 audit.

U.S. Department of Agriculture Passed through Arkansas Department of Education and Arkansas Department of Human Services

Child Nutrition Cluster: School Breakfast Program: Assistance Listing Number 10.553 and National School Lunch Program: Assistance Listing Number 10.555

2020-003 Approval of Time Certifications

Statement of Condition: The time certification for the director of the Child Nutrition Cluster programs was improperly approved by the director him/herself.

Recommendation: To ensure time certifications are properly approved, all time certifications should be approved by a superior District officer or director to the person completing the time certification.

Current Status: The recommendation was implemented in 2020. No similar findings were noted in the June 30, 2021 audit.

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

To the Board of Education
Springdale School District No. 50
Springdale, Arkansas

We have examined management's assertions that Springdale School District No. 50 (the "District") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2021. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about 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 the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. In our opinion, Springdale School District No. 50 complied with the aforementioned requirements for the year ended June 30, 2021.

This report is intended solely for the information and use of the School Board, 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.

HCA CPAs & Advisors, PLLC

HCA CPAs & Advisors, PLLC
Little Rock, Arkansas
April 6, 2022

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE
ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2021

DESCRIPTION	STATUTES
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Fund	19-1-504
Management of Schools	
• Board of Directors	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	6-13-701
o Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws - Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary Increases 5% or more (certified and classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et seq., 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218, 11-4-403, 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205

SPRINGDALE SCHOOL DISTRICT NO. 50
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE
ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2021

<u>DESCRIPTION</u>	<u>STATUTES</u>
Use of DM&O Millage	26-80-110
On Behalf Payments	The amounts of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et seq.
Limitation on Fund Balances	6-20-2210 (Waived for 2019 – 2020 only)
Fiscal Accountability	6-20-1901 et seq.
Enhanced Student Achievement Funding ESA	6-20-2305(B)(4)(F)(I)
CARES ACT (COVID-19) Education Training	Commissioner's Memo LS-20-089
Charter Facilities Funding	6-23-908

**SPRINGDALE SCHOOL DISTRICT NO. 50
SUPPLEMENTAL DATA SHEET AS REQUIRED BY ARKANSAS DEPARTMENT OF HUMAN SERVICES
AUDIT GUIDELINES**

YEAR ENDED JUNE 30, 2021

The following information is being provided to satisfy the requirements of Arkansas Department of Human Services Audit Guidelines:

- | | |
|--------------------------------------|--|
| 1. <u>Entity's Full Name:</u> | Springdale School District No. 50 of Washington County |
| 2. <u>Entity's Address:</u> | P.O. Box 8
Springdale, AR 72765 |
| 3. <u>Entity's FEIN:</u> | 71-6021364 |
| 4. <u>Entity's Telephone Number:</u> | (479) 750-8804 |
| 5. <u>Name of Director:</u> | Dr. Jared Cleveland, Superintendent |
| 6. <u>Name of Contact Person:</u> | Kelly Hayes, Deputy Superintendent/Finance |