

Lee County School District No. 1

Lee County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2020



LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
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JUNE 30, 2020

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Arkansas

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Senate Chair
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Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Lee County School District No. 1 and Arkansas Division of Elementary and Secondary Education
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Lee County School District No. 1 (the "District"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2020, or the changes in financial position for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Supplementary and Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
December 16, 2020
EDSD21320

Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Lee County School District No. 1 and Arkansas Division of Elementary and Secondary Education
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Lee County School District No. 1 (the "District"), as of and for the year ended June 30, 2020, 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 December 16, 2020. 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, 2020, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated December 16, 2020.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Patrick Nutt", with a stylized, cursive script.

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 16, 2020

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

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

INDEPENDENT AUDITOR'S REPORT

Lee County School District No. 1 and Arkansas Division of Elementary and Secondary Education
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Lee County School District No. 1's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

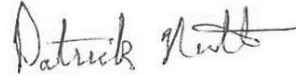
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the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

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

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

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Patrick Nutt", is written over a horizontal line.

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 16, 2020

Arkansas

Sen. Jason Rapert
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Lee County School District No. 1 and Arkansas Division of Elementary and Secondary Education
Legislative Joint Auditing Committee

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

1. During our examination of payroll records, we noted the following discrepancies:

- Two employees were underpaid \$28 and \$2,185, respectively, and two employees were overpaid \$2,534 and \$300, respectively.
- Properly approved documentation was not provided for five employees' timesheets totaling \$122, \$451, \$664, \$2,180, and \$713, respectively. Of this amount \$2,180 was paid from Title I funds.
- Properly approved and signed contracts were not maintained for 10 employees. Additionally, no contract was maintained for one employee.

A similar finding was reported in the previous five audits.

2. Our examination of cash revealed the District's general ledger cash balance at June 30, 2020 was overstated by \$21,507. Additionally, the District's bank reconciliation balance at June 30, 2020 was \$34,005 less than the general ledger balance. Significant corrections to the cash balance and bank reconciliation were made for the following errors:

- Checks totaling \$10,827 were manually voided by the District, but not voided in the general ledger and were included as outstanding items on the District bank reconciliation in error. Other errors totaling \$1,672 were noted on the District's outstanding check listing.
- Prior year errors not corrected by the District totaled \$29,240 and \$19,210 in the operating and special revenue funds, respectively.
- Current year errors not corrected by the District include identified errors totaling \$662 in the operating fund and an unreconciled variance of \$32,198.

A similar finding was reported in the previous five audits.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script, appearing to read "Patrick Nutt".

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
December 16, 2020

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary
	General	Special Revenue	Other Aggregate	Fund Types
ASSETS				
Cash	\$ 1,741,195		\$ 249,868	\$ 17,026
Investments	28,064			
Accounts receivable	23,920	\$ 289,377		
Due from other funds	129,363	15,175		
TOTAL ASSETS	<u>\$ 1,922,542</u>	<u>\$ 304,552</u>	<u>\$ 249,868</u>	<u>\$ 17,026</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 83,160	\$ 40,633		
Due student groups				\$ 17,026
Due to other funds	15,175	129,363		
Total Liabilities	<u>98,335</u>	<u>169,996</u>		<u>17,026</u>
Fund Balances:				
Restricted	791,331	134,556		
Assigned	49,405		\$ 249,868	
Unassigned	983,471			
Total Fund Balances	<u>1,824,207</u>	<u>134,556</u>	<u>249,868</u>	
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,922,542</u>	<u>\$ 304,552</u>	<u>\$ 249,868</u>	<u>\$ 17,026</u>

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

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 3,716,027		
State assistance	2,976,183	\$ 3,282	
Federal assistance	73,094	1,961,308	
Activity revenues	72,384		
Meal sales		10,079	
Investment income	3,159		
Other revenues	89,700		
TOTAL REVENUES	6,930,547	1,974,669	
EXPENDITURES			
Regular programs	2,795,470	47,734	
Special education	253,720	153,260	
Career education programs	134,142		
Compensatory education programs	29,353	340,982	
Other instructional programs	174,913		
Student support services	286,993	75,239	
Instructional staff support services	623,400	702,461	\$ 11,794
General administration support services	337,821	59,006	
School administration support services	338,611		
Central services support services	189,656	68,309	
Operation and maintenance of plant services	1,127,615	17,731	171,362
Student transportation services	418,462		
Other support services	8,820		
Food services operations		477,070	
Community services operations	1,262	205	
Facilities acquisition and construction services			449,212
Non-programmed costs		56,231	
Activity expenditures	46,770		
Debt Service:			
Principal retirement	87,355		40,000
Interest and fiscal charges	34,568		34,109
TOTAL EXPENDITURES	6,888,931	1,998,228	706,477
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	41,616	(23,559)	(706,477)
OTHER FINANCING SOURCES (USES)			
Transfers in			74,109
Transfers out	(74,109)		
Refund to grantor	(4,437)		
TOTAL OTHER FINANCING SOURCES (USES)	(78,546)		74,109
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(36,930)	(23,559)	(632,368)
FUND BALANCES - JULY 1	1,861,137	158,115	882,236
FUND BALANCES - JUNE 30	\$ 1,824,207	\$ 134,556	\$ 249,868

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

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 3,928,354	\$ 3,716,027	\$ (212,327)			
State assistance	2,771,622	2,976,183	204,561	\$ 3,400	\$ 3,282	\$ (118)
Federal assistance	60,000	73,094	13,094	3,335,976	1,961,308	(1,374,668)
Activity revenues		72,384	72,384			
Meal sales				11,850	10,079	(1,771)
Investment income	3,030	3,159	129			
Other revenues	40,000	89,700	49,700			
TOTAL REVENUES	6,803,006	6,930,547	127,541	3,351,226	1,974,669	(1,376,557)
EXPENDITURES						
Regular programs	3,354,189	2,795,470	558,719	106,159	47,734	58,425
Special education	257,756	253,720	4,036	159,454	153,260	6,194
Career education programs	141,201	134,142	7,059	1,400		1,400
Compensatory education programs	41,587	29,353	12,234	746,786	340,982	405,804
Other instructional programs	309,258	174,913	134,345			
Student support services	335,734	286,993	48,741	129,603	75,239	54,364
Instructional staff support services	1,084,735	623,400	461,335	1,071,602	702,461	369,141
General administration support services	366,261	337,821	28,440	94,022	59,006	35,016
School administration support services	282,909	338,611	(55,702)			
Central services support services	193,582	189,656	3,926	149,991	68,309	81,682
Operation and maintenance of plant services	1,038,838	1,127,615	(88,777)	12,000	17,731	(5,731)
Student transportation services	598,487	418,462	180,025	3,000		3,000
Other support services	25,000	8,820	16,180			
Food services operations				511,564	477,070	34,494
Community services operations	1,200	1,262	(62)	10,000	205	9,795
Non-programmed costs				111,527	56,231	55,296
Activity expenditures		46,770	(46,770)			
Debt Service:						
Principal retirement		87,355	(87,355)			
Interest and fiscal charges		34,568	(34,568)			
TOTAL EXPENDITURES	8,030,737	6,888,931	1,141,806	3,107,108	1,998,228	1,108,880

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ (1,227,731)</u>	<u>\$ 41,616</u>	<u>\$ 1,269,347</u>	<u>\$ 244,118</u>	<u>\$ (23,559)</u>	<u>\$ (267,677)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	9,401,251		(9,401,251)			
Transfers out	(9,203,834)	(74,109)	9,129,725			
Refund to grantor		(4,437)	(4,437)			
TOTAL OTHER FINANCING SOURCES (USES)	<u>197,417</u>	<u>(78,546)</u>	<u>(275,963)</u>			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(1,030,314)	(36,930)	993,384	244,118	(23,559)	(267,677)
FUND BALANCES - JULY 1	<u>1,516,676</u>	<u>1,861,137</u>	<u>344,461</u>	<u>209,791</u>	<u>158,115</u>	<u>(51,676)</u>
FUND BALANCES - JUNE 30	<u><u>\$ 486,362</u></u>	<u><u>\$ 1,824,207</u></u>	<u><u>\$ 1,337,845</u></u>	<u><u>\$ 453,909</u></u>	<u><u>\$ 134,556</u></u>	<u><u>\$ (319,353)</u></u>

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

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Lee County School District (District), as of March 25, 2019, is under the control of the Arkansas Division of Elementary and Secondary Education. The local school board, a seven member group, was dissolved as of that date. See Note 13. There are no component units.

B. Description of Funds

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

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

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Fiduciary Fund types include the following:

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

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c), 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 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.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, 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 financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at acquisition value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

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

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2019 calendar year taxes collected by June 30, 2020 and 4 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, 2020 equaled or exceeded the 4 percent calculation.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

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

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

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

I. Budget and Budgetary Accounting

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

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

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

J. Stabilization Arrangements

The Arkansas Division of Elementary and Secondary Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Minimum Fund Balance Policies

The Arkansas Division of Elementary and Secondary Education has not formally adopted a minimum fund balance policy.

L. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The Arkansas Division of Elementary and Secondary Education has not adopted a formal policy addressing this authorization.

The District's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the District's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

M. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 278,064	\$ 278,064
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>1,670,666</u>	<u>2,342,192</u>
Total Deposits	<u>\$ 1,948,730</u>	<u>\$ 2,620,256</u>

The above total deposits do not include cash of \$87,423 which was held in the Lee County Treasury. The above total deposits include certificates of deposit of \$28,064 reported as investments and classified as nonparticipating contracts.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

3. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2020 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 289,377
Other	\$ 23,920	
Totals	<u>\$ 23,920</u>	<u>\$ 289,377</u>

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2020:

A. Operating Lease (noncapital lease with initial noncancellable lease terms in excess of one year)

General description of lease and leasing arrangement:

On July 15, 2019 the District executed a lease for 16 copiers. The agreement stipulated monthly payments of \$1,285 for 36 months.

1. Future minimum rental payments (aggregate) at June 30, 2020: \$30,837
2. Future minimum rental payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2021	\$ 15,419
2022	<u>15,418</u>
Total	<u>\$ 30,837</u>

Rental payments for the operating lease described above were approximately \$15,419 for the year ended June 30, 2020.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

B. 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, 2020</u>	<u>Maturities To June 30, 2020</u>
<u>Bonds</u>					
3/1/16	2/1/43	1.2-3.5%	\$ 1,305,000	\$ 1,220,000	\$ 85,000
<u>Direct Borrowings</u>					
8/3/18	10/30/25	5.1%	731,880	548,493	183,387
6/27/19	6/27/22	5.31%	50,250	39,416	10,834
Total Direct Borrowings			<u>782,130</u>	<u>587,909</u>	<u>194,221</u>
Total Long-Term Debt			<u>\$ 2,087,130</u>	<u>\$ 1,807,909</u>	<u>\$ 279,221</u>

Changes in Long-term Debt

	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>
Bonds payable	\$ 1,260,000		\$ 40,000	\$ 1,220,000
<u>Direct Borrowings</u>				
Installment contracts	675,264		87,355	587,909
Total Long-Term Debt	<u>\$ 1,935,264</u>	<u>\$ 0</u>	<u>\$ 127,355</u>	<u>\$ 1,807,909</u>

Future Principal and Interest Payments

<u>Year Ended June 30,</u>	<u>Bonds</u>			<u>Direct Borrowings</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 45,000	\$ 33,205	\$ 78,205	\$ 91,836	\$ 30,087	\$121,923
2022	45,000	32,665	77,665	112,539	25,377	137,916
2023	45,000	31,945	76,945	88,847	19,576	108,423
2024	40,000	31,225	71,225	93,381	15,041	108,422
2025	45,000	30,585	75,585	98,148	10,275	108,423
2026-2030	230,000	138,885	368,885	103,158	5,265	108,423
2031-2035	265,000	108,325	373,325			
2036-2040	295,000	67,000	362,000			
2041-2043	210,000	15,050	225,050			
Totals	<u>\$ 1,220,000</u>	<u>\$ 488,885</u>	<u>\$ 1,708,885</u>	<u>\$ 587,909</u>	<u>\$ 105,621</u>	<u>\$ 693,530</u>

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

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

Security for Debt Payments

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

5: ACCOUNTS PAYABLE

Accounts payable at June 30, 2020 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 83,160	\$ 40,633

6: INTERFUND TRANSFERS

The District transferred \$74,109 from the general fund to other aggregate funds for debt related payments.

7: 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 employees of schools and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at www.artrs.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.25% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2020 were \$639,688, equal to the required contributions.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

7: RETIREMENT PLANS (Continued)

Arkansas Teacher Retirement System (Continued)

Net Pension Liability

The Arkansas Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$6,957,456.

Arkansas Public Employees Retirement System

Plan Description

The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain non-teaching school employees. APERS, 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or by visiting the APERS website at www.apers.org.

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% 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 for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2020 were \$1,090, equal to the required contributions.

Net Pension Liability

The Arkansas Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$7,337.

8: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$1,305,000 issued on March 1, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$1,708,885, payable through February 1, 2043. Principal and interest paid for the current year and total property taxes pledged for debt service were \$73,685 and \$170,701, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 43.17 percent.

9: RISK MANAGEMENT

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

The District carries commercial insurance for board liability and student accident coverage.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

9: RISK MANAGEMENT (Continued)

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

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

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

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

10: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$128,369 for the year ended June 30, 2020.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Description	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 125,513		
Enhanced student achievement funding	574,807		
English-language learners	8,196		
Professional development	23,496		
Child nutrition programs		\$ 81,807	
Medical services		45,249	
Special education programs	19,654		
Other purposes	39,665	7,500	
Total Restricted	<u>791,331</u>	<u>134,556</u>	
Assigned to:			
Capital projects			\$ 249,868
Student activities	49,405		
Total Assigned	<u>49,405</u>		<u>249,868</u>
Unassigned	<u>983,471</u>		
Totals	<u>\$1,824,207</u>	<u>\$ 134,556</u>	<u>\$ 249,868</u>

12: RESPONSE TO COVID-19

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). A mandatory, two week, statewide closure for all schools was announced on March 15, 2020 by the Governor. On April 6, 2020, the Governor announced that on-site instruction for all Arkansas public schools would be discontinued until the 2020-2021 school year and school districts would continue alternative methods of instruction (AMI) through the remainder of the 2019-2020 school year.

13: FISCAL DISTRESS STATUS

On March 25, 2019, the Arkansas Division of Elementary and Secondary Education (DESE) assumed control of the District and the superintendent was removed. Under the authority of Ark. Code Ann. § 6-20-1909, DESE dissolved the local school board and appointed a superintendent to direct the District's operations in coordination with DESE. On May 9, 2019, the State Board of Education classified the District in fiscal distress.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Schedule 1

	Balance June 30, 2020
<i>Nondepreciable capital assets:</i>	
Land	\$ 427,358
<i>Depreciable capital assets:</i>	
Buildings	8,681,176
Improvements/infrastructure	99,016
Equipment	5,496,961
Total depreciable capital assets	14,277,153
Less accumulated depreciation for:	
Buildings	6,248,927
Improvements/infrastructure	85,360
Equipment	4,475,419
Total accumulated depreciation	10,809,706
Total depreciable capital assets, net	3,467,447
Capital assets, net	\$ 3,894,805

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	3904	\$	104,870
Arkansas Department of Education - COVID-19 - School Breakfast Program	10.553	3904		5,636
Total for School Breakfast Program				110,506
National School Lunch Program (Note 3)	10.555			4,981
Arkansas Department of Education - National School Lunch Program	10.555	3904		260,008
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	3904000		21,004
Arkansas Department of Education - COVID-19 - National School Lunch Program	10.555	3904		14,164
Total for National School Lunch Program				300,157
Total U. S. Department of Agriculture				410,663
TOTAL CHILD NUTRITION CLUSTER				410,663
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	3904		234,203
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				234,203
OTHER PROGRAMS				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Child Nutrition Discretionary Grants Limited Availability	10.579	3904		5,373
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	3904		13,931
Total U. S. Department of Agriculture				19,304
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	3904		1,091,178
Arkansas Department of Education - Migrant Education - State Grant Program	84.011	3904		5,436
Arkansas Department of Education - Twenty-First Century Community Learning Centers	84.287	3904		50,127
Arkansas Department of Education - Rural Education	84.358	3904		16,836
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	3904		61,571
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	3904		43,533
Total U. S. Department of Education				1,268,681
TOTAL OTHER PROGRAMS				1,287,985
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 1,932,851

The accompanying notes are an integral part of this schedule.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Lee County School District No. 1 (District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 6: During the year ended June 30, 2020, the District received Medicaid funding of \$16,524 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

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

Internal control over financial reporting:

<input checked="" type="radio"/> Material weakness(es) identified?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	none reported
Noncompliance material to financial statements noted?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	no

FEDERAL AWARDS

Internal control over major federal programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	no
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Identification of major federal programs:

CFDA Number(s) 84.010	Name of Federal Program or Cluster Title I Grants to Local Educational Agencies
--------------------------	--

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

\$ 750,000

Auditee qualified as low-risk auditee?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Lee County School District No. "1"

175 Walnut Street, Marianna, AR 72360

PHONE 870-295-7100

FAX 870-295-7125

Schedule 4

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2020

FINANCIAL STATEMENT FINDINGS

2019- FINDING 2019-001 INTERNAL CONTROL

CONDITION: Deficiencies in the internal control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting records were not adequately segregated among employees. Specifically, certain key weakness included the following: the receipting, depositing, and posting procedures were performed by the same employee, without compensating controls. Payroll checks were prepared by the same employee responsible for changes in payroll amounts, without compensating controls. Bank reconciliations were prepared and recorded by the same individual responsible for both the receipting and disbursing functions, without compensating controls.

CURRENT STATUS: Corrective action was taken. The District worked with the Arkansas Division of Elementary and Secondary Education (DESE) during fiscal year 2020 to better segregate duties and implemented compensating controls where duties could not be fully segregated.

2018- FINDING 2018-001 INTERNAL CONTROL

CONDITION: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting records were not adequately segregated among employees. Specifically, certain key weakness included the following: the receipting, depositing, and posting procedures were performed by the same employee, without compensating controls. Additionally, payroll checks were prepared by the same employee responsible for changes in payroll amounts, without compensating controls.

CURRENT STATUS: Corrective action was taken. The District worked with the Arkansas Division of Elementary and Secondary Education (DESE) during fiscal year 2020 to better segregate duties and implemented compensating controls where duties could not be fully segregated.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

SIGNIFICANT DEFICIENCIES

U.S DEPARTMENT OF EDUCATION

PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION

TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES – CFDA NUMBER 84.010

PASS-THROUGH NUMBER 3904

2019- FINDING 2019-002 ALLOWABLE COSTS/COST PRINCIPLES

CONDITION: In our test of payroll expenditures, we identified unallowable costs totaling \$4,437 were paid from the Title I program. These costs were comprised of undocumented salaries totaling \$3,750 and an overpayment to one employee totaling \$687. A similar finding was reported in the previous audit.

CURRENT STATUS: Corrective action was taken. The District is working with the Arkansas Division of Elementary and Secondary Education (DESE) Fiscal Services and Arkansas Public School Resource Center (APSRC) to perform periodic reviews of expenditures to ensure costs are allowable and payroll is correct.

2019- FINDING 2019-003 ALLOWABLE COSTS/COST PRINCIPLES

CONDITION: Although standard payroll documentation supporting employees' work in the Title I program was available for audit inspection, monthly personnel activity reports were not prepared for 7 of 10 Title I employees tested who also worked other activities.

CURRENT STATUS: Corrective action was taken. The District is working with the Arkansas Division of Elementary and Secondary Education (DESE) Fiscal Services and Arkansas Public School Resource Center (APSRC) to perform periodic reviews of expenditures to ensure costs are allowable and payroll is correct.

2018- FINDING 2018-002 ALLOWABLE COSTS/COST PRINCIPLES

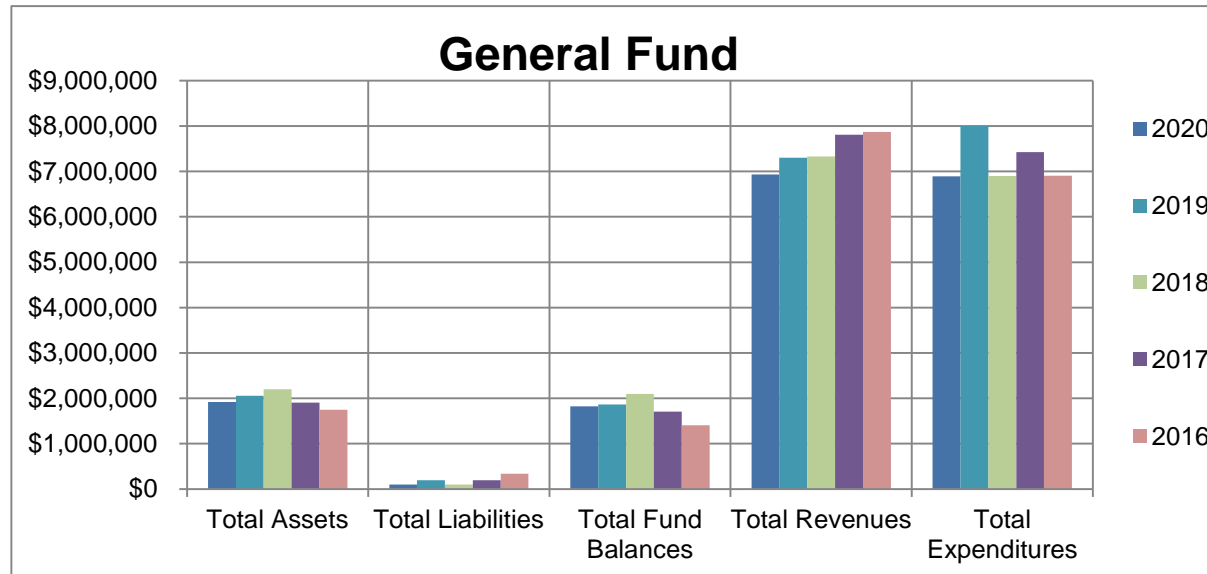
CONDITION: In our test of payroll and non-payroll expenditures, we identified unallowable costs totaling \$3,374 were paid from the Title I program. These costs were comprised of undocumented salaries totaling \$2,888 and unallowed non-payroll costs (yard signs) of \$486. Additionally, we noted one employee was underpaid \$102.

CURRENT STATUS: Corrective action was taken. The District is working with the Arkansas Division of Elementary and Secondary Education (DESE) Fiscal Services and Arkansas Public School Resource Center (APSRC) to perform periodic reviews of expenditures to ensure costs are allowable and payroll is correct.

LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Schedule 5

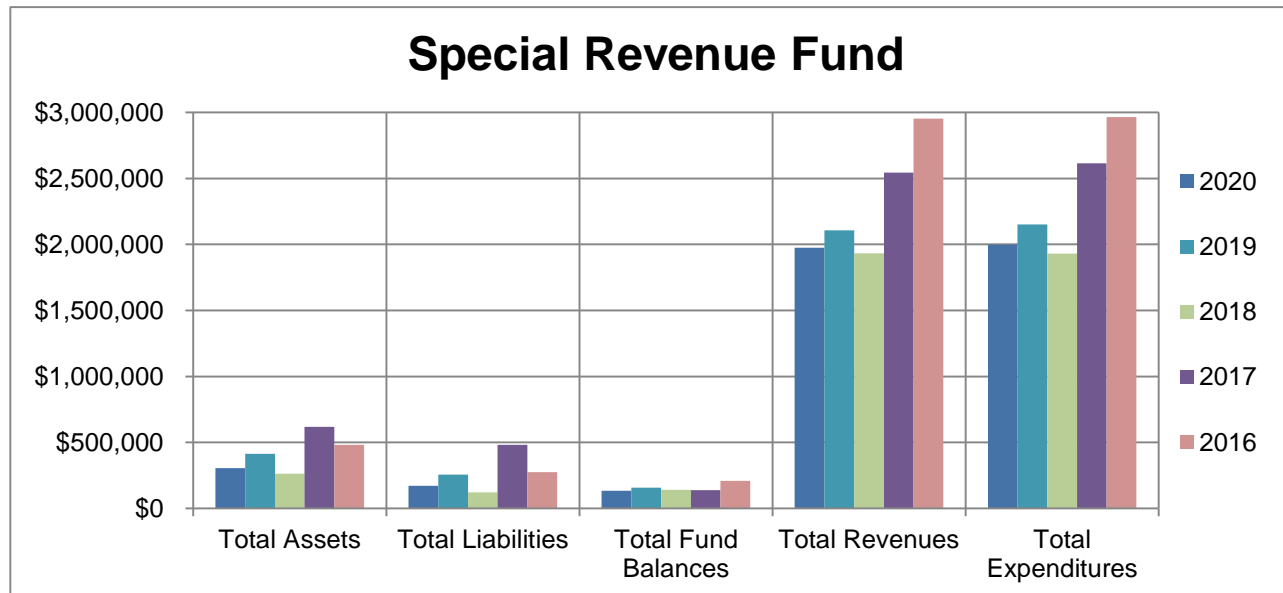
<u>General Fund</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 1,922,542	\$ 2,059,346	\$ 2,196,558	\$ 1,908,845	\$ 1,746,432
Total Liabilities	98,335	198,209	97,418	198,295	342,402
Total Fund Balances	1,824,207	1,861,137	2,099,140	1,710,550	1,404,030
Total Revenues	6,930,547	7,298,303	7,327,799	7,810,098	7,865,961
Total Expenditures	6,888,931	8,008,533	6,899,581	7,423,676	6,904,768
Total Other Financing Sources (Uses)	(78,546)	707,541	(39,628)	(79,902)	(869,866)



LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Schedule 5

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 304,552	\$ 412,857	\$ 261,896	\$ 619,043	\$ 482,097
Total Liabilities	169,996	254,742	121,049	480,833	274,398
Total Fund Balances	134,556	158,115	140,847	138,210	207,699
Total Revenues	1,974,669	2,106,968	1,932,197	2,543,718	2,953,876
Total Expenditures	1,998,228	2,151,278	1,929,560	2,613,207	2,964,330
Total Other Financing Sources (Uses)					



LEE COUNTY SCHOOL DISTRICT NO. 1
LEE COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

Schedule 5

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 249,868	\$ 1,010,970	\$ 1,169,982	\$ 1,283,142	\$ 1,235,617
Total Liabilities		128,734			
Total Fund Balances	249,868	882,236	1,169,982	1,283,142	1,235,617
Total Revenues					
Total Expenditures	706,477	536,071	152,788	32,377	262,600
Total Other Financing Sources (Uses)	74,109	74,589	39,628	79,902	859,551

