

FORT SMITH SCHOOL DISTRICT #100
REGULATORY BASIS FINANCIAL STATEMENTS
AND OTHER REPORTS

JUNE 30, 2019



FORT SMITH SCHOOL DISTRICT #100

JUNE 30, 2019

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Independent Auditors' Report

To the School Board
Fort Smith School District #100
Fort Smith, 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 **Fort Smith School District #100 (the District)**, as of and for the year ended **June 30, 2019**, 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 Arkansas Code Annotated 10-4-413(c) as provided in Act 867 of 2019, as described in Note 1, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. 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 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 Arkansas Code Annotated 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 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 **Fort Smith School District #100**, as of **June 30, 2019**, or the changes in financial position for the year then ended.

Opinion on the 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 **Fort Smith School District #100**, as of **June 30, 2019**, 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 Arkansas Code Annotated 10-4-413(c) as provided by Act 867 of 2019 described in Note 1.

Other Matters

Supplementary 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*, the schedule of expenditures of state awards, the schedule of capital assets, and school lunch fund information 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 and schedule of expenditures of state awards 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 federal awards and schedule of expenditures of state awards are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

The schedule of capital assets and school lunch fund information have not been subjected to the auditing procedures applied in the audit of regulatory basis financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2019, 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 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 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 14, 2019

REGULATORY BASIS FINANCIAL STATEMENTS

FORT SMITH SCHOOL DISTRICT #100

BALANCE SHEET - REGULATORY BASIS

AS OF JUNE 30, 2019

	Governmental Funds				Fiduciary Type
	Major			Other Aggregate	
	General Fund	Special Revenue			
Assets					
Cash and temporary investments	\$ 12,006,130	\$ 1,861,397	\$ 94,967,458	\$ 1,445,322	
Deposits with paying agent	-	-	11,908,335	-	
Receivables:					
Intergovernmental	-	1,773,362	-	-	
Other	189,354	-	-	-	
Total Assets	\$ 12,195,484	\$ 3,634,759	\$ 106,875,793	\$ 1,445,322	
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 82,752	\$ 16,231	\$ 976,913	\$ -	
Payroll withholdings	1,623,561	-	-	-	
Due to student groups	-	-	-	1,445,322	
Total Liabilities	1,706,313	16,231	976,913	1,445,322	
Fund Balances					
Restricted	-	3,618,528	105,898,880	-	
Assigned	853,114	-	-	-	
Unassigned	9,636,057	-	-	-	
Total Fund Balances	10,489,171	3,618,528	105,898,880	-	
Total Liabilities and Fund Balances	\$ 12,195,484	\$ 3,634,759	\$ 106,875,793	\$ 1,445,322	

See accompanying notes and independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2019

	Major		
	General Fund	Special Revenue	Other Aggregate
Revenues			
Local property taxes	\$ 57,966,684	\$ -	\$ -
Meal sales	-	1,077,980	-
Interest	517,277	21,151	3,096,934
Contributions	202,895	-	-
Other local revenues	283,785	225,760	-
State assistance	58,799,253	17,786,592	-
Unrestricted federal aid	7,659	-	-
Restricted federal aid	-	23,044,607	-
Total Revenues	117,777,553	42,156,090	3,096,934
Expenditures			
Current:			
Regular programs	51,169,639	5,297,947	-
Special education	8,035,565	3,139,941	-
Vocational education	3,399,293	292,440	-
Adult education	-	1,100,053	-
Compensatory education	542,924	7,452,731	-
Other instructional programs	355,315	2,978,882	-
Support services	44,063,649	11,708,692	20,645
Food service	-	8,247,500	-
Community services	201,208	856,402	-
Capital outlay	1,461,750	792,391	4,494,087
Debt service:			
Principal	-	-	3,067,291
Interest	-	-	3,730,305
Paying agent's fees	-	-	8,485
Total Expenditures	109,229,343	41,866,979	11,320,813
Excess of Revenues Over (Under) Expenditures	8,548,210	289,111	(8,223,879)
Other Financing Sources (Uses)			
Indirect cost reimbursement	232,525	(232,525)	-
Proceeds on sale of asset	4,200	-	-
Insurance recoveries	39,067	-	-
Proceeds from issuance of debt	-	-	98,030,000
Refunding of bonds outstanding	-	-	(7,815,000)
Bond issuance costs	-	-	(306,424)
Discount on sale of bonds	-	-	(1,449,460)
Premium on sale of bonds	-	-	188,255
Operating transfers in	-	21,841	8,768,394
Operating transfers out	(8,790,235)	-	-
Total Other Financing Sources (Uses)	(8,514,443)	(210,684)	97,415,765
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	33,767	78,427	89,191,886
Fund Balance at Beginning of Year	10,455,404	3,540,101	16,706,994
Fund Balance at End of Year	\$ 10,489,171	\$ 3,618,528	\$ 105,898,880

See accompanying notes and independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2019

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Local property taxes	\$ 57,353,594	\$ 57,966,684	\$ 613,090
Interest	350,000	517,277	167,277
Contributions	-	202,895	202,895
Other local revenues	337,193	283,785	(53,408)
State assistance	58,776,218	58,799,253	23,035
Unrestricted federal aid	5,000	7,659	2,659
Total Revenues	116,822,005	117,777,553	955,548
Expenditures			
Current:			
Regular programs	52,412,315	51,169,639	1,242,676
Special education	8,284,177	8,035,565	248,612
Vocational education	3,313,100	3,399,293	(86,193)
Compensatory education	584,240	542,924	41,316
Other instructional programs	370,033	355,315	14,718
Support services	46,495,678	44,264,857	2,230,821
Capital outlay	1,485,175	1,461,750	23,425
Total Expenditures	112,944,718	109,229,343	3,715,375
Excess of Revenues Over (Under) Expenditures	3,877,287	8,548,210	4,670,923
Other Financing Sources (Uses)			
Indirect cost reimbursement	298,580	232,525	(66,055)
Proceeds on sale of asset	-	4,200	4,200
Insurance recoveries	-	39,067	39,067
Operating transfers	(4,125,572)	(8,790,235)	(4,664,663)
Total Other Financing Sources (Uses)	(3,826,992)	(8,514,443)	(4,687,451)
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	50,295	33,767	(16,528)
Fund Balance at Beginning of Year	10,455,404	10,455,404	-
Fund Balance at End of Year	\$ 10,505,699	\$ 10,489,171	\$ (16,528)

See accompanying notes and independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - SPECIAL REVENUE FUND - REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2019

	BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Revenues			
Meal sales	\$ 1,117,000	\$ 1,077,980	\$ (39,020)
Interest	3,000	21,151	18,151
Other local revenues	194,052	225,760	31,708
State assistance	17,500,530	17,786,592	286,062
Restricted federal aid	25,978,822	23,044,607	(2,934,215)
Total Revenues	44,793,404	42,156,090	(2,637,314)
Expenditures			
Current:			
Regular programs	5,666,051	5,297,947	368,104
Special education	3,994,451	3,139,941	854,510
Vocational education	358,907	292,440	66,467
Adult education	1,353,246	1,100,053	253,193
Compensatory education	8,733,415	7,452,731	1,280,684
Other instructional programs	3,170,629	2,978,882	191,747
Support services	13,545,071	11,708,692	1,836,379
Food service	8,006,850	8,247,500	(240,650)
Community services	893,436	856,402	37,034
Capital outlay	560,498	792,391	(231,893)
Total Expenditures	46,282,554	41,866,979	4,415,575
Excess of Revenues Over (Under) Expenditures	(1,489,150)	289,111	1,778,261
Other Financing Sources (Uses)			
Indirect cost reimbursement	(298,580)	(232,525)	66,055
Operating transfers	-	21,841	21,841
Total Other Financing Sources (Uses)	(298,580)	(210,684)	87,896
Excess of Revenues and Other Sources Over (Under) Expenditures and Other Uses	(1,787,730)	78,427	1,866,157
Fund Balance at Beginning of Year	3,540,101	3,540,101	-
Fund Balance at End of Year	\$ 1,752,371	\$ 3,618,528	\$ 1,866,157

See accompanying notes and independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies

a. Financial Reporting Entity

The Fort Smith School District #100 (the District) is a political subdivision of the Arkansas Department of Education, governed by an elected seven-member school board. The statements reflect all funds and accounts directly under the control of the District. Using the criteria of financial accountability, there are no component units that should be included in the District's reporting entity.

b. 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 Arkansas Code Annotated 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 the financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The RBA is not in accordance with generally accepted accounting principles, (GAAP). GAAP requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires the following major concepts: Managements Discussion and Analysis, accrual basis of accounting for government-wide 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 governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies (continued)

c. 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 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 Funds types include the following:

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

d. Deposits and Investments

The District's cash and temporary investments are considered to be cash on hand, demand deposits, certificates of deposit and U.S. Treasury Bills. Temporary investments are stated at cost which approximates market value.

Arkansas State Statutes also authorize the District to invest in general obligation bonds of the United States, in bonds, notes, debentures, or other obligations issued by an agency of the United States government and in general obligation bonds of the State of Arkansas.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies (continued)

d. Deposits and Investments (continued)

The Statutes require that deposits of school funds be in banks and secured in an amount equal to the deposits. The security must be provided by general obligation bonds of the United States, bonds, notes, debentures, or other obligations issued by an agency of the United States Government, bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations or by a bond executed by a surety company authorized to do business in the State of Arkansas. The Director of Education must approve the surety company.

e. Interfund Receivables and Payables

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

f. 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 capitalizes all capital assets.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

Land	N/A
Land improvements	20 years
Building and improvements	7-50 years
Furniture, fixtures, and equipment	5-20 years
Vehicles	8 years

g. Compensated absences

Employees on twelve month contracts are eligible for vacation. During years one through nine of service an employee earns two weeks of vacation each year. After ten years of service, an employee earns three weeks of vacation each year. After twenty years of service, eighteen days of vacation are earned. Vacation time accrues proportionately between July 1 and June 30. This vacation may be taken beginning June 1 of the year earned and should be taken not later than June 30 of the following fiscal year. Unused vacation days may be carried over to a new fiscal year, but cannot exceed twenty days. The maximum accumulation of vacation days including the final year of service with the District, will be thirty-five days.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies (continued)

g. Compensated absences (continued)

The District provides substantially all teachers and other employees one day of paid sick leave for each month contracted or employed. Any accumulated unused sick leave is carried over to the next school without limitation. If after five or more years of service, an employee leaves the District, that employee will receive payment of a maximum of 120 days of accumulated unused sick leave. The rate of payment is the current base rate of a substitute teacher. However, after 10 years of employment, upon separation of employment from the District, including retirement, specific categories of employees are limited to 1/2 of the accumulated unused sick leave of 120 days for an effective maximum payment of 60 days at a rate equal to the current base rate of a substitute.

The District provides substantially all teachers and other employees two days of paid leave for personal business per year. Any accumulated unused personal business leave is carried over to the next school to a maximum of seven days. Any days in excess of seven days are rolled over into the employee's accumulated sick leave. If after ten or more years of service, an employee leaves the District, that employee will receive payment of a maximum of seven days of accumulated unused personal business leave at the current base rate of a substitute.

A liability for compensated absences is not reported in the governmental funds since the fund liability is not incurred under the regulatory basis of accounting.

h. Fund Balance Classifications

Fund balances are categorized as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted Fund Balance - 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.

Committed Fund Balance - represents amounts that can be used only for the specific purposes determined by formal action of the District's highest level of decision making authority (the Board of Education).

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.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies (continued)

h. Fund Balance Classifications (continued)

Unassigned Fund Balance - represents amounts that have not been assigned to other funds and 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.

i. Revenue Recognition Policies

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

j. 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.

Arkansas Code Annotated 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of the 2018 calendar year taxes collected by June 30, 2019, and 8% 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, 2019, equaled or exceeded the 8% calculation.

Amendment No. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Arkansas Code Annotated 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 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.

k. Budgetary Information

In accordance with Arkansas law, the District adopts an annual budget by September 30 of each fiscal year for the General, Special Revenue, Capital Projects and Debt Service Funds. The State Department of Education's regulations allow for the cash basis or the modified accrual basis.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

1. Summary of Significant Accounting Policies (continued)

I. Non-Monetary Transactions

Non-monetary transactions are reflected in these financial statements at their fair value. During the fiscal year ended June 30, 2019, commodities were received by the District in the amount of \$573,946.

m. 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.

n. Minimum Fund Balance Policies

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

2. Cash Deposits with Financial Institutions

The District maintains its operating bank accounts in three area banks. The Federal Deposit Insurance Corporation ("FDIC") insures accounts at these institutions. In addition, deposits are collateralized by the bank through the pledging of securities. At June 30, 2019, the District all of the District's deposits were insured or collateralized.

3. Cash Deposits with Paying Agent

Cash deposits with paying agent includes funds held in escrow totaling \$11,908,335 that represent sinking fund deposits for Qualified Zone Academy Bonds and Qualified School Construction Bonds and are required to be used for future principal payments. The balance is held at several financial institutions.

4. Accounts Receivable

Accounts receivable at June 30, 2019 were comprised of the following:

Description	General Fund	Special Revenue Fund	Total
Federal / State Assistance	\$ -	\$ 1,773,362	\$ 1,773,362
Rebates	189,354	-	189,354
Total	\$ 189,354	\$ 1,773,362	\$ 1,962,716

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

5. Commitments

The District issues general obligation bonds to provide funds for the acquisition, construction, and operation of major capital facilities and to refund general obligation bonds. General obligation bonds are direct obligations and are secured by the full faith, credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue contains an option requiring bonds to be called in inverse numerical order for redemption prior to maturity.

The District is required with the 2005, 2011, and 2012 QZAB issues and all of the QSCB issues to establish a sinking fund that will be funded on the anniversary date of the issues as prescribed in the agreements.

On August 15, 2018, the District is construction bonds in the amount of \$90,000,000 with interest rates ranging from 3.00% to 4.00%. The issuance of these bonds will fund future improvements for the District.

On May 30, 2019, the District issued a refunding bonds in the amount of \$8,030,000 with interest rates ranging from 2.00% to 3.00%. This bond refunded the January 1, 2014 bond with an outstanding balance of \$7,815,000. The interest rates of the bond refunded ranged from 1.00% to 4.20%. Net bond proceeds of \$7,935,622 were remitted to an escrow agent to provide for all future principal and interest payments for the bond refunded. This bond was called on July 2, 2019. The issuance of these bonds will result in savings of \$739,059 to the District over the life of the bonds.

The following is a summary of the District's long-term debt activity for the year ended June 30, 2019:

	Balance July 1, 2018	Debt Additions	Debt Retirements	Balance June 30, 2019
General Obligation Bonds:				
Bond issue dated October 1, 2010	\$ 1,610,000	\$ -	\$ 250,000	\$ 1,360,000
Bond issue dated June 1, 2011	3,785,000	-	590,000	3,195,000
Bond issue dated May 1, 2012	2,970,000	-	465,000	2,505,000
Bond issue dated December 1, 2012	3,170,000	-	200,000	2,970,000
Bond issue dated September 1, 2013	-	-	-	-
Bond issue dated January 1, 2014	8,115,000	-	8,115,000	-
Bond issue dated July 7, 2015	3,555,000	-	555,000	3,000,000
Bond issue dated April 7, 2016	6,110,000	-	420,000	5,690,000
Bond issue dated September 12, 2017	9,165,000	-	75,000	9,090,000
Bond issue dated August 15, 2018	-	90,000,000	-	90,000,000
Bond issue dated May 30, 2019	-	8,030,000	-	8,030,000
Total General Obligation Bonds	38,480,000	98,030,000	10,670,000	125,840,000

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

5. Commitments (continued)

	Balance July 1, 2018	Debt Additions	Debt Retirements	Balance June 30, 2019
Other Long-term Debt				
Qualified Zone Academy Bonds September 1, 2005	627,342	-	-	627,342
Qualified Zone Academy Bonds dated October 2, 2007	1,085,067	-	212,291	872,776
Qualified Zone Academy Bonds dated October 6, 2011	3,885,000	-	-	3,885,000
Qualified School Construction Bonds dated November 4, 2009	5,125,000	-	-	5,125,000
Qualified School Construction Bonds dated December 1, 2010	7,940,000	-	-	7,940,000
Qualified School Construction Bonds dated October 6, 2011	1,115,000	-	-	1,115,000
Qualified Zone Academy Bonds dated November 5, 2012	12,570,000	-	-	12,570,000
Total Other Long-term Debt	32,347,409	-	212,291	32,135,118
Total	\$ 70,827,409	\$ 98,030,000	\$ 10,882,291	\$ 157,975,118

Annual debt service requirements to maturity are as follows:

Year ending June 30,	Total	Principal	Interest
2020	\$ 11,624,340	\$ 6,561,934	\$ 5,062,406
2021	12,412,284	7,397,036	5,015,248
2022	12,059,145	7,166,881	4,892,264
2023	12,072,750	7,314,294	4,758,456
2024	11,858,017	7,237,506	4,620,511
2025-2029	50,022,257	28,894,402	21,127,855
2030-2034	43,823,599	28,410,891	15,412,708
2035-2039	34,947,707	24,667,174	10,280,533
2040-2044	24,603,650	18,355,000	6,248,650
2045-2049	24,602,088	21,970,000	2,632,088
Total	\$ 238,025,837	\$ 157,975,118	\$ 80,050,719

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

5. Commitments (continued)

A summary of each bond issue is as follows:

Date of Issue	Amount of Original Issue (\$)	Interest Rate Percent	Range of Payment Dues	Range of Annual Maturities (\$)
10/1/2010	3,255,000	1.00/3.00	2-2011/2-2024	45,000/290,000
6/1/2011	6,690,000	2.00/2.75	8-2011/2-2024	185,000/675,000
5/1/2012	5,125,000	1.50/2.00	8-2012/8-2023	68,794/530,650
12/1/2012	4,120,000	.60/2.70	2-2014/2-2032	170,000/265,000
7/1/2015	4,890,000	1.00/1.90	2-2016/2-2024	250,000/635,000
4/1/2016	6,410,000	2.00/2.25	12-2016/6-2030	300,000/525,000
9/12/2017	9,165,000	2.00/3.25	6-2018/12-2038	75,000/560,000
8/15/2018	90,000,000	3.00/4.00	2-2020/2-2049	1,840,000/11,000,000
5/30/2019	8,030,000	2.00/3.00	2-2021/2-2038	145,000/575,000
QZAB 9/1/2005	627,342	0	9/1/2021	627,342
QZAB 10/2/2007	3,085,000	1.10	10-2008/10-2022	190,292/221,787
QZAB 10/6/2011	3,885,000	4.30	4-2012/10-2029	215,834
QSCB 11/4/2009	5,125,000	2.17	11-2010/11-2025	320,313
QSCB 12/1/2010	7,940,000	5.125	12-2011/12-2029	417,895
QSCB 10/6/2011	1,115,000	4.375	4-2012/10-2029	61,945
QZAB 11/5/2012	12,570,000	3.90	11-2016/11-2035	12,570,000

6. Fund Balance Reporting

Fund Balance Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Restricted:			
Debt service	\$ -	\$ -	\$ 11,908,335
Capital projects	-	-	86,854,180
Capital project encumbrances	-	-	7,136,365
Federal programs	-	3,551,209	-
Federal program encumbrances	-	67,319	-
Assigned:			
School operation encumbrances	153,114	-	-
Insurance deductibles	200,000	-	-
Unemployment benefits	500,000	-	-
Unassigned	9,636,057	-	-
Totals	\$ 10,489,171	\$ 3,618,528	\$ 105,898,880

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

6. Fund Balance Reporting (continued)

Under Arkansas Act 376 of 1977, the District has elected to reimburse the State's Employment Security Division for unemployment benefits the state might pay for District employees. The District has designated a portion of the General Fund's fund balance, in the amount of \$500,000, to meet any possible future liability for unemployment benefit claims.

The District has also designated a portion of the General Fund's fund balance in the amount of \$200,000, for future liability due to increases in insurance deductibles.

7. Employee Retirement Systems and Plans

The District participates in two employee defined benefit pension plans as follows:

Arkansas Teacher Retirement System

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. The report may be obtained by writing to ATRS, 1400 West Third Street, Little Rock, AR 72201 or by calling (800) 666-2877.

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% 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%. The District's contributions to ATRS for the years ended June 30, 2019, 2018 and 2017 were \$13,510,331, \$13,458,343, and \$13,214,523, respectively.

Net pension liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Standards Board Statement No. 68 would be limited to disclosure of the District's proportionate share of the collective pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$115,372,843.

Arkansas Public Employees Retirement System

The District participates in the Arkansas Public Employees Retirement Districts (APERS). APERS is a cost-sharing, multiple employer, defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. APERS 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

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

8. Employee Retirement Systems and Plans (continued)

Arkansas Public Employees Retirement System (continued)

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, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling (800) 682-7377.

Funding Policy: APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to APERS for the years ended June 30, 2019, 2018, and 2017, were \$7,206, \$12,296, and \$14,911, respectively.

Net pension liability: The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Standards Board Statement No. 68 would be limited to disclosure of the District's proportionate share of the collective pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$98,175.

9. On-Behalf Payments

The allocation of the health insurance premiums paid by the Arkansas Department of education to the Employee benefits Division, on behalf of the District's employees, total \$3,184,589 for the year ended June 30, 2019.

10. Risk Management

The District is exposed to various risks of loss from theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District has joined together with other school districts to form the Arkansas School Board Association Self-Insurance program, a public entity risk pool currently operating as a common risk management and insurance program for its members. The District pays an annual premium to the Pool for its workmen's compensation insurance coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reinsure through commercial carriers for claims in excess of specified stop loss amounts

FORT SMITH SCHOOL DISTRICT #100

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2019

11. Subsequent Events

In October and November 2019, the District commenced the renovations, additions, and improvements to the Southside and Northside High School campuses all as part of the Vision 2023 strategic plan. Improvements and renovations will consist of new secure entry/office and media centers, ninth grade centers, new cafeterias and kitchens, remodel existing admin, media, and cafeteria to classrooms, enclose corridor between main building and science building, add four storm shelters, and new competition gymnasiums at both campuses. Funding for these renovations and improvements include the \$90 million bond issue of August 2018 and subsequent bond issues of \$31 million funded by the 2018 voter-approved millage increase. Estimated cost of these projects is \$127 million and are expected to be completed by the start of the 2021-22 school year.

On September 17, 2019, the District paid off early the bond issue dated 10/1/2010 in the amount of \$1,365,340 and the bond issue dated 6/1/2011 in the amount of \$3,207,853 respectively. This early payoff was also an element of the Vision 2023 strategic plan with the purpose of allowing the District to add \$450 to the certified salary schedule base.

SUPPLEMENTARY INFORMATION

FORT SMITH SCHOOL DISTRICT #100

Schedule of Capital Assets (Unaudited)

AS OF JUNE 30, 2019	
Nondepreciable Capital Assets:	
Land	\$ 7,404,665
Construction in process	4,350,941
Total Nondepreciable Capital Assets	11,755,606
Depreciable Capital Assets:	
Land improvements	6,382,325
Buildings and improvements	200,875,462
Furniture, fixtures and equipment	42,022,146
Vehicles	8,259,451
Total Depreciable Capital Assets	257,539,384
Total Capital Assets	269,294,990
Less Accumulated Depreciation for:	
Land improvements	3,279,454
Buildings and improvements	87,210,332
Furniture, fixtures and equipment	29,517,770
Vehicles	6,709,385
Total Accumulated Depreciation	126,716,941
Capital Assets, net	\$ 142,578,049

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Education			
Special Ed Cluster			
E.S.E.A. Title VI, Grants to States	AR Department of Education	84.027	\$ 3,551,388
Special Education, Preschool	AR Department of Education	84.173A	145,271
Total Special Ed Cluster			3,696,659
Adult Education, Basic Grants to States	AR Department of Career Education	84.002A	255,556
Federal Adult Ed	AR Department of Career Education	84.002A	19,658
Adult Education - EL Civics	AR Department of Career Education	84.002A	31,232
Title I, Grants to Local Educational Agencies	AR Department of Education	84.010	5,836,389
Title I, Migrant Education	AR Department of Education	84.011	199,663
Career and Technical Education - Basic Grants Carl Perkins	AR Department of Career Education	84.048	241,445
Indian Education, Grants to Local Education Agencies	Received directly	84.060A	119,197
Education For Homeless Children & Youth	AR Department of Education	84.196A	53,000
English Language Acquisition Grants	AR Department of Education	84.365	433,774
Supporting Effective Instruction State Grants	AR Department of Education	84.367	653,839
School Improvement Grants	AR Department of Education	84.377A	584,286
Preschool Development Grants	AR Department of Human Services	84.419	2,041,364
Student Support and Acedemic Enrichment Program	AR Department of Education	84.424	350,195
Total U.S. Department of Education			14,516,257
U.S. Department of Agriculture			
Child Nutrition Cluster			
School Breakfast Program - Cash Assistance	AR Department of Education	10.553	1,669,916
National School Lunch Program - Cash Assistance	AR Department of Education	10.555	4,606,018
National School Lunch Program - Non-Cash Assistance	AR Department of Human Services	10.555	573,946
Total Child Nutrition Cluster			6,849,880
Child and Adult Care Food Program - Cash Assistance	AR Department of Human Services	10.558	65,497
Total U.S. Department of Agriculture			6,915,377

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Federal Grantor/Program Title	Agency or Pass-Through Entity	Federal CFDA Number	Federal Expen- ditures
U.S. Department of Health and Human Services			
Child Care and Development Fund Cluster			
Child Care and Development Block Grant	AR Department of Human Services	93.575	426,591
Child Care Mandatory and Matching Funds	AR Department of Human Services	93.596	111,000
Total U.S. Department of Health and Human Services			537,591
U.S. Department of Army			
ROTC	Received directly	12.001	73,258
Total U.S. Department of Army			73,258
Total Federal Awards			\$ 22,042,483

Note A - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of Fort Smith Public Schools under programs of the federal government for the fiscal year ended June 30, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Fort Smith Public Schools, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the District.

Note B - Summary of Significant Accounting Policies

1. This schedule of expenditures of federal awards includes the federal program activity of Fort Smith Public Schools and is presented on the accrual 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.
2. Fort Smith Public Schools does not charge indirect cost rates and charges 100% of their costs directly.

Note C - Subrecipient Awards

Of the federal expenditures presented in this schedule, Fort Smith School District #100 provided federal awards to subrecipients as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Subrecipient</u>	<u>Amount Provided</u>
No awards were provided to subrecipients			

Note D - Supplemental Disclosure of Governmental Assistance Information

Title XIX - Medicaid		
Medical Assistance Program (MEDICAID CATASTROPHIC)		\$ 302,598
Total Medicaid		<u>\$ 302,598</u>

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF EXPENDITURES OF STATE AWARDS

FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/Program Title	State Revenues	State Expenditures
Arkansas Department of Human Services		
Child Care - State	\$ 3,673	\$ 3,673
Foster Care	255	255
Arkansas Department of Education on behalf of the Arkansas Early Childhood Commission		
Arkansas Better Chance	1,598,000	1,598,000
Total Expenditures of State Awards	\$ 1,601,928	\$ 1,601,928

Note A - Basis of Presentation

This schedule of expenditures of state awards includes the state program activity of Fort Smith School District #100 and is presented on the accrual basis of accounting.

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF MEAL AND MILK SALES

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Student Breakfast</u>	<u>Student Lunch</u>	<u>Adult Breakfast</u>	<u>Adult Lunch</u>	<u>Snack Bar Ala Carte Milk and Juice</u>	<u>Total</u>
Ballman	\$ 4,039	\$ 17,721	\$ 396	\$ 2,293	\$ 214	\$ 24,663
Barling	9,404	19,379	28	1,241	103	30,155
Beard	7,073	12,448	26	2,082	225	21,854
Bonneville	7,940	17,221	3	1,742	165	27,071
Carnall	4,731	9,792	191	3,433	202	18,349
Cavanaugh	10,832	17,774	7	351	97	29,061
Cook	15,780	34,865	2	1,969	118	52,734
Euper Lane	7,568	17,499	18	550	187	25,822
Fairview	9,769	26,730	104	4,937	175	41,715
Howard	1,508	3,837	327	1,454	37	7,163
Morrison	3,503	6,580	207	4,198	47	14,535
Orr	9,133	19,488	21	2,710	329	31,681
Pike	5,128	10,496	342	1,185	213	17,364
Spradling	2,324	5,875	121	2,588	18	10,926
Sunnymede	4,472	11,850	232	6,480	162	23,196
Sutton	4,186	11,061	2	942	9	16,200
Tilles	3,817	8,075	186	1,876	145	14,099
Trusty	1,629	4,340	59	2,259	9	8,296
Woods	14,553	34,406	32	1,485	219	50,695
Belle Point	499	1,159	7	2,235	159	4,059
Chaffin	11,238	25,606	20	2,050	51,915	90,829
Darby	2,232	9,020	41	2,926	9,993	24,212
Kimmons	4,062	14,848	18	5,036	30,503	54,467
Ramsey	11,278	31,601	92	5,371	55,396	103,738
Northside	10,219	22,560	20	1,284	50,581	84,664
Southside	23,826	28,624	205	7,577	68,457	128,689
Totals	\$ 190,743	\$ 422,855	\$ 2,707	\$ 70,254	\$ 269,678	\$ 956,237

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF SCHOOL BREAKFASTS SERVED

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Student Free</u>	<u>Student Reduced</u>	<u>Student Paid</u>	<u>Adult Paid</u>	<u>Total</u>
Ballman	16,681	2,519	2,627	172	21,999
Barling	19,731	2,959	6,813	12	29,515
Beard	23,079	2,749	4,999	11	30,838
Bonneville	17,758	3,157	5,594	1	26,510
Carnall	23,125	3,265	3,001	81	29,472
Cavanaugh	20,063	4,485	7,589	3	32,140
Cook	18,230	4,317	11,588	1	34,136
Euper Lane	19,953	4,460	4,984	8	29,405
Fairview	32,506	5,917	6,395	42	44,860
Howard	24,885	1,377	876	144	27,282
Morrison	31,520	2,215	2,271	87	36,093
Orr	20,159	3,902	6,370	9	30,440
Pike	48,911	2,952	3,394	141	55,398
Spradling	35,145	2,077	1,361	49	38,632
Sunnymede	50,997	3,234	2,801	93	57,125
Sutton	41,194	3,516	2,505	1	47,216
Tilles	32,676	2,553	2,441	75	37,745
Trusty	29,750	2,306	750	26	32,832
Woods	14,768	3,929	10,699	14	29,410
Belle Point	3,411	484	283	3	4,181
Chaffin	14,693	3,126	8,240	9	26,068
Darby	22,126	1,632	1,394	18	25,170
Kimmons	34,537	3,141	2,496	8	40,182
Ramsey	20,870	3,949	8,075	41	32,935
Northside	42,800	6,295	6,664	9	55,768
Southside	25,222	5,006	17,859	91	48,178
Totals	684,790	85,522	132,069	1,149	903,530

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF SCHOOL LUNCHES SERVED

FOR THE YEAR ENDED JUNE 30, 2019

	<u>Student Free</u>	<u>Student Reduced</u>	<u>Student Paid</u>	<u>Adult Paid</u>	<u>Total</u>
Ballman	34,494	5,587	7,364	605	48,050
Barling	31,641	4,848	8,255	328	45,072
Beard	32,653	4,299	5,113	539	42,604
Bonneville	28,989	5,130	7,204	454	41,777
Carnall	35,549	4,569	3,832	893	44,843
Cavanaugh	26,725	5,815	7,352	93	39,985
Cook	29,345	6,168	15,260	512	51,285
Euper Lane	29,190	5,547	7,267	145	42,149
Fairview	52,266	7,561	11,246	1,307	72,380
Howard	52,586	3,150	1,284	382	57,402
Morrison	52,740	4,451	2,354	1,110	60,655
Orr	28,180	4,921	8,294	701	42,096
Pike	70,663	6,127	3,911	305	81,006
Spradling	60,598	4,941	1,947	677	68,163
Sunnymede	81,492	6,706	4,449	1,703	94,350
Sutton	71,636	6,616	4,096	250	82,598
Tilles	57,619	3,668	3,176	493	64,956
Trusty	45,993	4,872	1,243	600	52,708
Woods	24,488	5,842	15,098	377	45,805
Belle Point	5,596	509	417	596	7,118
Chaffin	30,565	5,461	10,053	546	46,625
Darby	64,191	4,820	3,120	779	72,910
Kimmons	79,652	8,120	5,109	1,343	94,224
Ramsey	43,516	8,291	12,181	1,432	65,420
Northside	95,462	10,924	7,968	341	114,695
Southside	36,747	5,473	11,330	2,042	55,592
Totals	1,202,576	144,416	168,923	18,553	1,534,468
Total Breakfasts and Lunches	1,887,366	229,938	300,992	19,702	2,437,998

See independent auditors' report.

ADDITIONAL REQUIRED REPORTS



**Independent Auditors' 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 School Board
Fort Smith School District #100
Fort Smith, 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 **Fort Smith School District #100** as of and for the year ended **June 30, 2019**, 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 November 14, 2019. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of 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 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 of accounting financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2019, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's 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 those 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 of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 14, 2019



Independent Auditors' Report On Compliance For Each Major Federal Program And On Internal Control Over Compliance Required by the Uniform Guidance

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the **Fort Smith School District #100's** 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, 2019. 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 under 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, 2019.

Report on Internal Control Over Compliance

Management of the Fort Smith School District #100 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. 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.



Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 14, 2019

FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED JUNE 30, 2019

Section I - Summary of Auditor's Results

Financial Statements

Types of auditor's report issued:

GAAP basis of reporting - adverse
Regulatory basis opinion units - unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance 2 CFR section 200.516(a)? yes no

Identification of major programs:

CFDA Number(s)

84.010

84.367

84.377

84.419

Name of Federal Program or Cluster

Title I, Grants to Local Educational Agencies

Supporting Effective Instruction State Grants

School Improvement Grants

Preschool Development Grants

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee? yes no

Section II - Financial Statement Findings - Current Year

No findings.

Section III - Federal Award Findings and Questioned Costs

No matters were reported.

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

FEDERAL AWARD PROGRAMS - SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2019

There were no prior audit findings for the year ended June 30, 2018.

See independent auditors' report.

FORT SMITH SCHOOL DISTRICT #100

SUPPLEMENTAL DATA SHEET AS REQUIRED BY ArDHS

JUNE 30, 2019

Name: Fort Smith School District #100

Address: 3205 Jenny Lind, P.O. Box 1948, Fort Smith, AR 72902-1948

EIN Number: 71-6020978

Phone Number: (479) 785-2501

Administrative Officer: Dr. Doug Brubaker

Contact Person: Charles Warren, CPA

Audit Firm: Przybysz & Associates, CPAs, P.C.

Lead Auditor: Marc Lux, CPA



Independent Auditors' Report On Compliance With Arkansas State Requirements

To the School Board
Fort Smith School District #100
Fort Smith, Arkansas

We have examined management's assertions, included in its representation letter dated October 30, 2019, that the **Fort Smith School District #100** substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations listed on Arkansas Department of Education form OCI 95-96 during the year ended **June 30, 2019**. 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 made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, management's assertions that **Fort Smith School District #100** complied with the aforementioned requirements for the year ended **June 30, 2019**, are fairly stated, in all material respects.

This report is intended solely for the information and used 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.

Przybysz & Associates, CPAs, P.C.
Fort Smith, Arkansas
November 14, 2019

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Fort Smith, Arkansas 72901
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FORT SMITH SCHOOL DISTRICT #100

SCHEDULE OF STATUES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

JUNE 30, 2019

<u>DESCRIPTION</u>	<u>STATUTES</u>
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 Funds	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
◦ Warrant/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 & 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.
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
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) (Act 867 of 2019)
Real Estate and Personal Property Tax Appeals	26-35-802 (Act 657 of 2019)
Arkansas Procurement Law	19-11-201 et. Seq.
Fiscal Accountability	6-20-1901, et. Seq. (Act 929 of 2019)
Limitation on Fund Balances	6-20-2210