

# **Little Rock School District**

**Pulaski County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2020**

---

LEGISLATIVE JOINT AUDITING COMMITTEE



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2020

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

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Expenditures of Federal Awards	2
Schedule of Findings and Questioned Costs	3
Summary Schedule of Prior Audit Findings	4
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	5



# Arkansas



**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair

**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

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

## **LEGISLATIVE JOINT AUDITING COMMITTEE** **ARKANSAS LEGISLATIVE AUDIT**

### **INDEPENDENT AUDITOR'S REPORT**

Little Rock School District and School Board Members  
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 Little Rock School District (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 February 25, 2021 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  
February 25, 2021  
EDSD32120

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



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

**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

## 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

Little Rock School District and School Board Members  
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Little Rock School District (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 February 25, 2021. 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*.

**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



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

Little Rock, Arkansas  
February 25, 2021

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
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**

Little Rock School District and School Board Members  
Legislative Joint Auditing Committee

#### **Report on Compliance for Each Major Federal Program**

We have audited the Little Rock School District'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



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

Little Rock, Arkansas  
February 25, 2021

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary
	General	Special Revenue	Other Aggregate	Fund Types
<b>ASSETS</b>				
Cash	\$ 32,557,563	\$ 2,457,794	\$ 3,436,632	\$ 2,224,378
Investments				2,011,601
Accounts receivable	272,713	3,825,167		
Due from other funds			1,892,586	
Deposit with paying agent			1,892,586	
<b>TOTAL ASSETS</b>	<b>\$ 32,830,276</b>	<b>\$ 6,282,961</b>	<b>\$ 7,221,804</b>	<b>\$ 4,235,979</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable and accrued liabilities	\$ 10,812,125	\$ 579,655	\$ 5,329,218	\$ 314
Due student groups				761,882
Due to other funds	1,892,586			
Total Liabilities	12,704,711	579,655	5,329,218	762,196
Fund Balances:				
Nonspendable				2,011,601
Restricted	3,451,756	5,703,306	1,892,586	1,462,182
Assigned	1,664,041			
Unassigned	15,009,768			
Total Fund Balances	20,125,565	5,703,306	1,892,586	3,473,783
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 32,830,276</b>	<b>\$ 6,282,961</b>	<b>\$ 7,221,804</b>	<b>\$ 4,235,979</b>

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

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 162,385,546		\$ 7,151,360
State assistance	89,728,936	\$ 73,206	
Federal assistance		38,141,168	
Activity revenues	2,371,783		
Meal sales		1,605,266	
Investment income	293,286	14,797	143,843
Other revenues	3,023,712	32,745	1,057,868
<b>TOTAL REVENUES</b>	<b>257,803,263</b>	<b>39,867,182</b>	<b>8,353,071</b>
<b>EXPENDITURES</b>			
Regular programs	98,901,180	5,583,170	373,511
Special education	21,606,816	3,967,298	
Career education programs	5,823,356	22,497	
Adult/continuing education program	638,922	172,549	
Compensatory education programs	4,085,122	5,281,952	
Other instructional programs	13,301,308	292,005	
Student support services	11,383,592	2,925,612	
Instructional staff support services	16,745,591	8,329,942	710,155
General administration support services	3,236,280	734,210	
School administration support services	14,585,704		
Central services support services	7,427,056	19,410	5,560,842
Operation and maintenance of plant services	25,241,567	413,523	2,543,033
Student transportation services	11,796,531	108,658	
Other support services	363,804		
Food services operations	695,347	10,336,849	
Community services operations	10,113	264,022	
Facilities acquisition and construction services		31,677	39,808,152
Non-programmed costs		424,245	
Activity expenditures	2,196,352		
Debt Service:			
Principal retirement	939,174		13,915,922
Interest and fiscal charges	308,465		6,871,101
<b>TOTAL EXPENDITURES</b>	<b>239,286,280</b>	<b>38,907,619</b>	<b>69,782,716</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>18,516,983</b>	<b>959,563</b>	<b>(61,429,645)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			23,713,812
Transfers out	(23,713,812)		
Refund to grantor	(50,800)		
Value of capital lease			299,104
Value of installment contract			1,362,565
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(23,764,612)</b>		<b>25,375,481</b>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (5,247,629)	\$ 959,563	\$ (36,054,164)
FUND BALANCES - JULY 1	25,373,194	4,743,743	37,946,750
FUND BALANCES - JUNE 30	<u>\$ 20,125,565</u>	<u>\$ 5,703,306</u>	<u>\$ 1,892,586.00</u>

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

LITTLE ROCK SCHOOL DISTRICT

PULASKI 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		Variance	Special Revenue		Variance
	Budget	Actual	Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes (including property tax relief trust distribution)	\$ 166,291,769	\$ 162,385,546	\$ (3,906,223)			
State assistance	88,682,509	89,728,936	1,046,427	\$ 75,250	\$ 73,206	\$ (2,044)
Federal assistance				48,776,794	38,141,168	(10,635,626)
Activity revenues	4,753,453	2,371,783	(2,381,670)			
Meal sales				2,196,000	1,605,266	(590,734)
Investment income	75,966	293,286	217,320	5,000	14,797	9,797
Other revenues	4,223,931	3,023,712	(1,200,219)	50,000	32,745	(17,255)
<b>TOTAL REVENUES</b>	<b>264,027,628</b>	<b>257,803,263</b>	<b>(6,224,365)</b>	<b>51,103,044</b>	<b>39,867,182</b>	<b>(11,235,862)</b>
<b>EXPENDITURES</b>						
Regular programs	97,926,932	98,901,180	(974,248)	6,376,590	5,583,170	793,420
Special education	21,521,768	21,606,816	(85,048)	4,180,132	3,967,298	212,834
Career education programs	5,931,268	5,823,356	107,912	1,405	22,497	(21,092)
Adult/continuing education program	664,821	638,922	25,899	170,827	172,549	(1,722)
Compensatory education programs	4,092,809	4,085,122	7,687	7,215,506	5,281,952	1,933,554
Other instructional programs	13,181,349	13,301,308	(119,959)	424,671	292,005	132,666
Student support services	11,636,555	11,383,592	252,963	3,393,019	2,925,612	467,407
Instructional staff support services	16,917,489	16,745,591	171,898	11,632,871	8,329,942	3,302,929
General administration support services	3,736,050	3,236,280	499,770	771,279	734,210	37,069
School administration support services	14,568,293	14,585,704	(17,411)			
Central services support services	7,769,406	7,427,056	342,350		19,410	(19,410)
Operation and maintenance of plant services	25,619,979	25,241,567	378,412	48,111	413,523	(365,412)
Student transportation services	13,872,495	11,796,531	2,075,964	255,804	108,658	147,146
Other support services	392,471	363,804	28,667			
Food services operations	880,000	695,347	184,653	12,721,543	10,336,849	2,384,694
Community services operations		10,113	(10,113)	744,404	264,022	480,382
Facilities acquisition and construction services				969,695	31,677	938,018
Non-programmed costs				511,939	424,245	87,694
Activity expenditures			2,260,344			
Debt Service:						
Principal retirement	939,174	939,174				
Interest and fiscal charges	308,465	308,465				
<b>TOTAL EXPENDITURES</b>	<b>244,416,020</b>	<b>239,286,280</b>	<b>5,129,740</b>	<b>49,417,796</b>	<b>38,907,619</b>	<b>10,510,177</b>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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

	General		Variance Favorable (Unfavorable)	Special Revenue		Variance Favorable (Unfavorable)
	Budget	Actual		Budget	Actual	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 19,611,608	\$ 18,516,983	\$ (1,094,625)	\$ 1,685,248	\$ 959,563	\$ (725,685)
OTHER FINANCING SOURCES (USES)						
Transfers in	323,710,727		(323,710,727)			
Transfers out	(343,277,028)	(23,713,812)	319,563,216			
Refund to grantor		(50,800)	(50,800)			
TOTAL OTHER FINANCING SOURCES (USES)	(19,566,301)	(23,764,612)	(4,198,311)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	45,307	(5,247,629)	(5,292,936)	1,685,248	959,563	(725,685)
FUND BALANCES - JULY 1	30,681,363	25,373,194	(5,308,169)	4,881,735	4,743,743	(137,992)
FUND BALANCES - JUNE 30	\$ 30,726,670	\$ 20,125,565	\$ (10,601,105)	\$ 6,566,983	\$ 5,703,306	\$ (863,677)

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

(THIS PAGE INTENTIONALLY LEFT BLANK)

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

On January 28, 2015, the Arkansas Division of Elementary and Secondary Education assumed control of the Little Rock School District (District) and dissolved the local school board. On December 12, 2019, the State Board of Education approved the reinstatement by and following the election of a nine-member school board (local Board) during the general election of November 2020. During such time as the District remains under Level 5 intensive support, the Local Board shall exercise all day-to-day authority of the District, subject to the following three limitations which require State Board approval: the Local Board cannot make any change to the superintendent of the District; the Local Board cannot make any manner of selection of the Personnel Policy Committee or its status with respect to the District, nor recognize any employee bargaining agent; and the Local Board cannot institute any litigation, other than routine contract litigation against vendors or contractors. 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).

Private-purpose Trust Funds - Private-purpose trust funds are used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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>
Buildings and improvements	10-50
Equipment	5-20

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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. Fund Balance Classifications**

1. 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.
2. 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.
3. 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.
4. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

**H. Budget and Budgetary Accounting**

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

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

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. Budget and Budgetary Accounting (Continued)**

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

**I. Stabilization Arrangements**

The 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.

**J. Minimum Fund Balance Policies**

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

**K. Fund Balance Classification Policies and Procedures**

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The 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.

**L. Encumbrances**

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 38,421,838	\$ 38,421,838
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>2,254,329</u>	<u>11,421,228</u>
Total Deposits	<u>\$ 40,676,167</u>	<u>\$ 49,843,066</u>

The above total deposits do not include cash on hand of \$200.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**3. INVESTMENTS**

At June 30, 2020, the District's investments consisted of Chevron Corporation common stock with a fair value of \$2,011,601. The earnings from this stock are to be used for scholarships. The value of the stock is reported as nonspendable within the fiduciary fund types.

Concentration of Credit Risk – The District places no limit on the amount that may be invested in any one issuer. All investments reported in the District's fiduciary fund types consist of Chevron Corporation stock, a gift from Winthrop Rockefeller.

Fair value of investments - Fair value measurements are based on the fair value hierarchy as follows:

Level 1 - Quoted prices in active markets for identical assets

Level 2 - Significant other observable inputs

Level 3 - Significant unobservable inputs

The above investments are classified in Level 1. There are no investments classified in Levels 2 or 3.

**4: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 130,670	
Federal assistance		\$ 3,825,167
Other	142,043	
Totals	<u>\$ 272,713</u>	<u>\$ 3,825,167</u>

**5: COMMITMENTS**

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
Southwest High school	February 2021	\$ 8,239,637

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

General description of lease and leasing arrangements:

274 copiers for the term of 48 months with monthly rental payments based on copier usage at a rate of \$.0112908 per black and white copy, commencing July 1, 2014. The lease was extended for three more years until June 30, 2021 with an additional six copiers.

Rental payments for the operating lease described above were approximately \$822,541 for the year ended June 30, 2020.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**5: COMMITMENTS (Continued)**

**C. Long-term Debt Issued and Outstanding**

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2020	Maturities To June 30, 2020
<b><u>Bonds</u></b>					
7/28/05	7/28/21		\$ 2,212,252	\$ 2,212,252	
12/1/15	2/1/33	3 - 3.5%	126,740,000	101,300,000	\$ 25,440,000
12/15/15	2/1/33	2 - 3.25%	17,995,000	15,015,000	2,980,000
9/21/17	2/1/33	1.1 - 3.32%	92,055,000	76,540,000	15,515,000
6/26/19	2/1/33	3.0%	33,770,000	32,805,000	965,000
Total Bonds			<u>272,772,252</u>	<u>227,872,252</u>	<u>44,900,000</u>
<b><u>Direct Borrowings</u></b>					
10/30/15	12/1/21	1.74%	518,000	152,064	365,936
8/8/16	10/1/20	1.51%	415,340	84,507	330,833
10/21/16	12/1/22	1.65%	536,460	234,077	302,383
4/7/17	1/15/33	2.5%	12,861,672	11,052,281	1,809,391
6/1/19	6/1/23		776,150	465,690	310,460
7/10/19	7/10/22		1,362,565	1,021,924	340,641
10/1/19	10/1/23		299,104	239,283	59,821
Total Direct Borrowings			<u>16,769,291</u>	<u>13,249,826</u>	<u>3,519,465</u>
Total Long-Term Debt			<u>\$ 289,541,543</u>	<u>\$ 241,122,078</u>	<u>\$ 48,419,465</u>

**Changes in Long-term Debt**

	Balance July 1, 2019	Issued	Retired	Balance June 30, 2020
Bonds payable	<u>\$ 241,077,252</u>		<u>\$ 13,205,000</u>	<u>\$ 227,872,252</u>
<b><u>Direct Borrowings</u></b>				
Capital leases	1,566,488	\$ 299,104	689,971	1,175,621
Installment contracts	<u>11,671,765</u>	<u>1,362,565</u>	<u>960,125</u>	<u>12,074,205</u>
Total Direct Borrowings	<u>13,238,253</u>	<u>1,661,669</u>	<u>1,650,096</u>	<u>13,249,826</u>
Total Long-Term Debt	<u>\$ 254,315,505</u>	<u>\$ 1,661,669</u>	<u>\$ 14,855,096</u>	<u>\$ 241,122,078</u>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**5: COMMITMENTS (Continued)**

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

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 14,555,000	\$ 6,893,894	\$ 21,448,894	\$ 1,454,898	\$ 287,354	\$ 1,742,252
2022	17,142,252	6,467,144	23,609,396	1,418,013	266,708	1,684,721
2023	15,425,000	6,029,344	21,454,344	1,389,624	246,167	1,635,791
2024	15,830,000	5,575,819	21,405,819	855,621	225,762	1,081,383
2025	16,260,000	5,108,757	21,368,757	815,925	205,637	1,021,562
2026-2030	88,625,000	17,958,747	106,583,747	4,399,765	708,049	5,107,814
2031-2033	60,035,000	3,925,482	63,960,482	2,915,980	148,709	3,064,689
Totals	<u>\$ 227,872,252</u>	<u>\$ 51,959,187</u>	<u>\$279,831,439</u>	<u>\$ 13,249,826</u>	<u>\$ 2,088,386</u>	<u>\$ 15,338,212</u>

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2020:

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment-Buses	\$ 518,000	\$ 250,367	\$ 267,633
Equipment-Buses	536,460	196,702	339,758
Equipment-Vehicles	415,340	415,340	
Equipment-Technology	776,150	77,615	698,535
Equipment-Technology	299,104	14,603	284,501
Total	<u>\$ 2,545,054</u>	<u>\$ 954,627</u>	<u>\$ 1,590,427</u>

The present value of the net minimum lease payments is as follows at June 30, 2020:

Total Minimum Lease Payments	\$ 1,188,771
Less: Amount Representing Interest	<u>13,150</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 1,175,621</u>

Qualified Zone Academy Bond (QZAB)

On July 28, 2005, the District obtained funding of \$2,212,252 through the Qualified Zone Academy Bond (QZAB) program, a debt financial arrangement authorized under the Taxpayer Relief Act of 1997. The District will deposit \$102,286 annually into a sinking fund for 16 years for a total of \$1,636,576. This amount plus interest earned will be used to retire the debt when due.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**5: COMMITMENTS (Continued)**

**C. 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 Division of Elementary and Secondary Education (DESE). Depending on the date of the bond issue, DESE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

**6: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

Description	Governmental Funds			Fiduciary Fund Types
	Major		Other Aggregate	
	General	Special Revenue		
Vendor payables	\$ 1,241,334	\$ 577,038	\$ 5,329,218	\$ 314
Payroll withholdings and matching	9,569,307			
Due to grantors	1,484	2,617		
Totals	\$ 10,812,125	\$ 579,655	\$ 5,329,218	\$ 314

**7: INTERFUND TRANSFERS**

The District transferred \$23,713,812 from the general fund to the other aggregate funds for debt service payments of \$20,124,634 and construction expenditures of \$3,589,178.

**8: 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.atrs.gov](http://www.atrs.gov).

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**8: RETIREMENT PLANS (Continued)**

Arkansas Teacher Retirement System (Continued)

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% 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 \$24,110,563, equal to the required contributions.

Additionally, the Arkansas Department of Education (ADE) paid retirement contributions to ATRS for certain employees of the District's Metropolitan Vocational Center, a secondary area center for career and technical education. The ADE's contribution for the year ended June 30, 2020 was \$221,658, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$233,514,467.

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](http://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 \$13,026, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2019 (actuarial valuation date and measurement date) was \$135,028.



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**9: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS**

<b>ADDITIONS</b>	
Donations	\$ 1,325
Interest	13,019
Dividends	<u>111,818</u>
<b>TOTAL ADDITIONS</b>	<u>126,162</u>
<b>DEDUCTIONS</b>	
Scholarships	15,484
Unrealized loss in fair market value of investments	793,774
Other	<u>526</u>
<b>TOTAL DEDUCTIONS</b>	<u>809,784</u>
<b>CHANGE IN FUND BALANCE</b>	(683,622)
<b>FUND BALANCE - JULY 1</b>	<u>4,157,405</u>
<b>FUND BALANCE - JUNE 30</b>	<u><u>\$ 3,473,783</u></u>

**10: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$276,712,252 issued from July 28, 2005 through June 26, 2019. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$279,831,439, payable through February 1, 2033. Principal and interest paid for the current year and total property taxes pledged for debt service were \$20,071,790 and \$45,307,277, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 44.30 percent.

**11: 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 maintains a self-insurance, risk management account within the General Fund to account for and finance its uninsured risks of loss. Under this self-insurance program, the District is responsible for individual losses up to maximum limits, which range from \$5,000 to \$300,000 based on the nature of the loss. The District purchases commercial insurance for claims in excess of amounts paid from the risk management account and for other risks of loss.

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.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**11: RISK MANAGEMENT (Continued)**

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.

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.

**12: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$5,627,470 for the year ended June 30, 2020.

**13: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE**

Description	Governmental Funds		
	Major	Special	Other
	General	Revenue	Aggregate
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 414,341		
Enhanced student achievement match grant	736,585		
English-language learners	422,079		
Professional development	64,100		
Grants	67,625		
Child nutrition programs		\$ 5,017,773	
Debt service			\$ 1,892,586
Medical services		607,529	
Arkansas school recognition program	97,677		
Juvenile detention center	267,497		
Workforce center operations	848,550		
Special education programs	426,635	18,163	
Title I programs		7,304	
Verizon innovative learning project	56,979		
Education stabilization fund (COVID-19)		4,345	
Other purposes	49,688	48,192	
Total Restricted	<u>3,451,756</u>	<u>5,703,306</u>	<u>1,892,586</u>
Assigned to:			
Student activities	1,491,830		
Self-insurance claims	172,211		
Total Assigned	<u>1,664,041</u>		
Unassigned	<u>15,009,768</u>		
Totals	<u>\$20,125,565</u>	<u>\$ 5,703,306</u>	<u>\$ 1,892,586</u>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2020

**14:      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.

**15:      PENDING RESULTS OF LAW ENFORCEMENT INVESTIGATION**

As previously reported in the fiscal year 2018 and 2019 audit reports, Management disclosed that a law enforcement agency was investigating certain financial transactions of the District and that the case is pending submission to a Grand Jury. We will report details of this matter in the fiscal year 2021 audit report.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

Schedule 1

	Balance June 30, 2020
Nondepreciable capital assets:	
Land	\$ 21,095,194
Construction in progress	112,403,971
Total nondepreciable capital assets	<u>133,499,165</u>
Depreciable capital assets:	
Buildings	334,479,616
Equipment	65,365,588
Total depreciable capital assets	<u>399,845,204</u>
Less accumulated depreciation for:	
Buildings	205,488,560
Equipment	55,652,967
Total accumulated depreciation	<u>261,141,527</u>
Total depreciable capital assets, net	<u>138,703,677</u>
Capital assets, net	<u>\$ 272,202,842</u>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	6001		\$ 2,355,410
Arkansas Department of Education - COVID-19 - School Breakfast Program	10.553	6001		99,869
Total for School Breakfast Program				<u>2,455,279</u>
National School Lunch Program (Note 3)	10.555			137,594
Arkansas Department of Education - National School Lunch Program	10.555	6001		4,972,264
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	6001000		931,274
Arkansas Department of Education - COVID-19 - National School Lunch Program	10.555	6001		163,548
Total for National School Lunch Program				<u>6,204,680</u>
Total U. S. Department of Agriculture				<u>8,659,959</u>
<b>TOTAL CHILD NUTRITION CLUSTER</b>				<u>8,659,959</u>
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	6001		5,779,717
Arkansas Department of Education - Special Education - Preschool Grants	84.173	6001		249,382
Total U. S. Department of Education				<u>6,029,099</u>
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>				<u>6,029,099</u>
<b>TANF CLUSTER</b>				
<u>U. S. Department of Health and Human Services:</u>				
Arkansas Department of Education - Temporary Assistance for Needy Families	93.558	6001		4,900,000
Arkansas Department of Career Education - Temporary Assistance for Needy Families	93.558	6001		29,833
Arkansas Department of Commerce - Division of Workforce Services - Temporary Assistance for Needy Families	93.558	6001		2,528
Total for Temporary Assistance for Needy Families				<u>4,932,361</u>
Total U. S. Department of Health and Human Services				<u>4,932,361</u>
<b>TOTAL TANF CLUSTER</b>				<u>4,932,361</u>
<b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Child Nutrition Discretionary Grants Limited Availability	10.579	6001		29,230
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	6001		97,497
Total U. S. Department of Agriculture				<u>126,727</u>
<u>U. S. Department of Defense</u>				
ROTC (Note 5)	12-AR060012			123,401
Total U. S. Department of Defense				<u>123,401</u>
<u>U. S. Department of the Interior</u>				
City of Little Rock - Historic Preservation Fund Grants-in-Aid	15.904	Unavailable		193,827
Total U. S. Department of the Interior				<u>193,827</u>
<u>National Endowment for the Arts</u>				
Department of Arkansas Heritage-Arkansas Arts Council - Promotion of the Arts - Partnership Agreements	45.025	6001		8,400
Total National Endowment for the Arts				<u>8,400</u>

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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
<u>U. S. Department of Education</u>				
Arkansas Department of Career Education - Adult Education - Basic Grants to States	84.002	6001		\$ 175,184
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	6001		10,057,645
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048	6001		337,426
Arkansas Department of Education - Education for Homeless Children and Youth	84.196	6001		36,138
Arkansas Department of Education - Twenty-First Century Community Learning Centers	84.287	6001		696,947
Great Rivers Education Service Cooperative - Special Education - State Personnel Development	84.323	6001000		81,837
Arkansas Department of Education - English Language Acquisition State Grants	84.365	6001		202,984
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	6001		1,053,117
Arkansas Department of Education - School Improvement Grants	84.377	6001		1,678,639
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	6001		225,520
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	6001		492,846
Total U. S. Department of Education				<u>15,038,283</u>
 TOTAL OTHER PROGRAMS				 <u>15,490,638</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 0</u>	 <u>\$ 35,112,057</u>

The accompanying notes are an integral part of this schedule.

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 Little Rock School District (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 Federal CFDA Number was not available. An alternative identifying number was utilized.
- Note 6: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 7: During the year ended June 30, 2020, the District received Medicaid funding of \$347,582 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

LITTLE ROCK SCHOOL DISTRICT  
PULASKI 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
--	----------------------	-----	---	----

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.010	Title I Grants to Local Educational Agencies
84.027 and 84.173	Special Education Cluster (IDEA)
84.425D	COVID-19 - Elementary and Secondary School Emergency Relief Fund

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

\$ 1,053,362

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

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.



# **LITTLE ROCK**

## **SCHOOL DISTRICT**

Schedule 4

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

#### **FINANCIAL STATEMENT FINDINGS**

There were no findings in the prior audit.

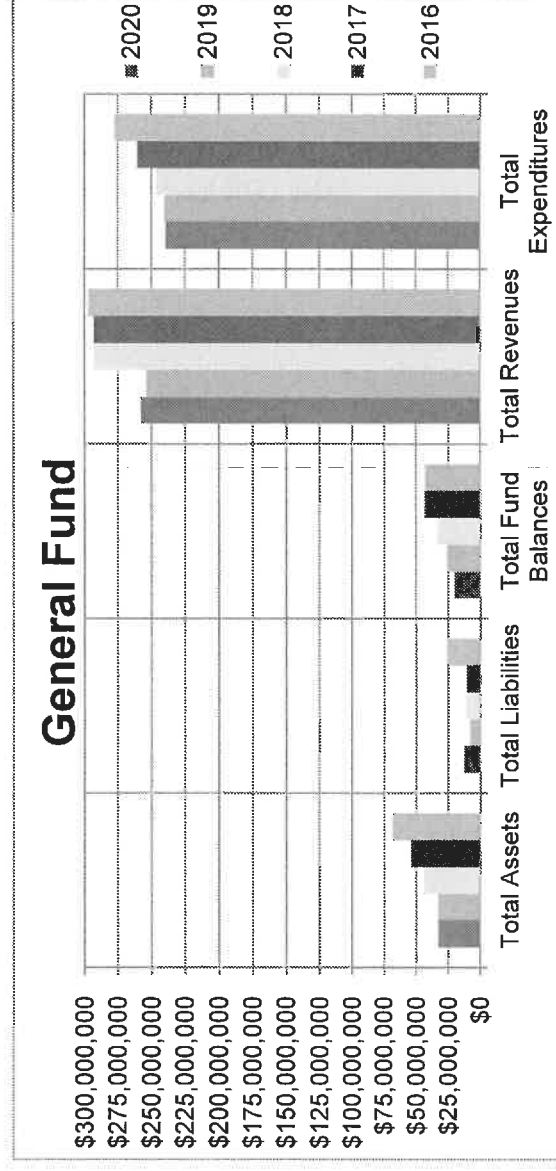
#### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no findings in the prior audit.



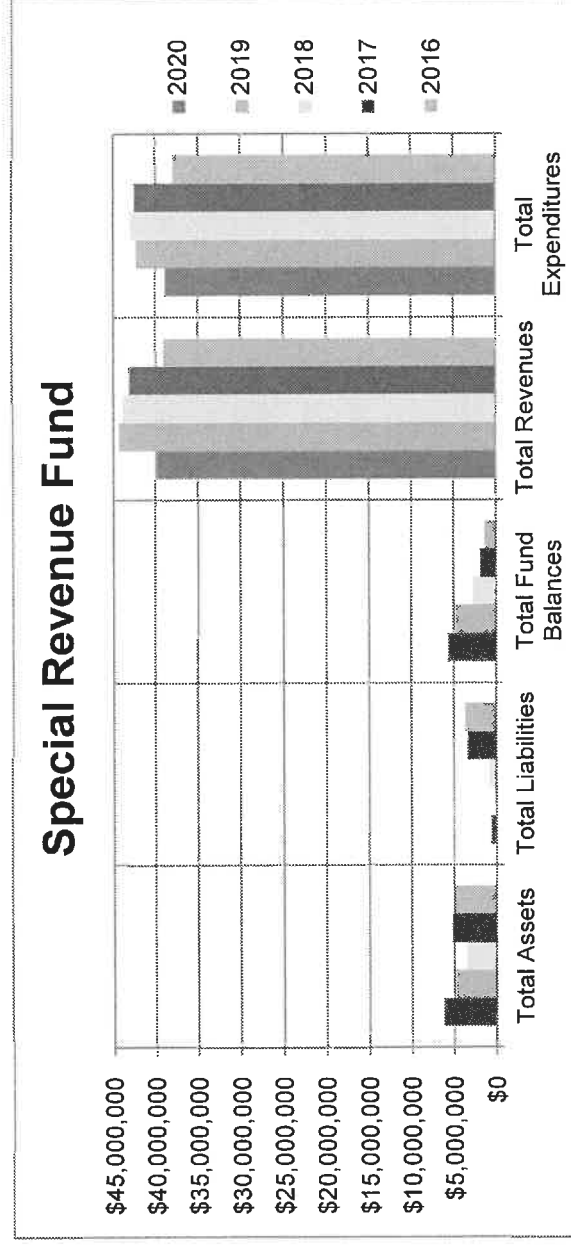
LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 32,830,276	\$ 33,027,965	\$ 44,037,734	\$ 54,001,188	\$ 68,171,054
Total Liabilities	12,704,711	7,654,771	10,858,346	10,341,507	25,239,530
Total Fund Balances	20,125,565	25,373,194	33,179,388	43,659,681	42,931,524
Total Revenues	257,803,263	253,632,292	293,321,348	292,829,873	296,977,546
Total Expenditures	239,286,280	240,167,300	246,020,361	260,401,167	277,436,557
Total Other Financing Sources (Uses)	(23,764,612)	(21,271,186)	(57,781,280)	(31,700,549)	(14,136,447)



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 6,282,961	\$ 4,800,735	\$ 3,504,020	\$ 5,225,154	\$ 4,935,001
Total Liabilities	579,655	56,992	815,775	3,371,275	3,654,303
Total Fund Balances	5,703,306	4,743,743	2,688,245	1,853,879	1,280,698
Total Revenues	39,867,182	44,339,040	43,835,902	43,115,839	39,059,273
Total Expenditures	38,907,619	42,276,519	42,995,416	42,542,658	37,940,966
Total Other Financing Sources (Uses)		(7,023)	(6,120)		93,808



LITTLE ROCK SCHOOL DISTRICT  
PULASKI COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2020  
(Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 7,221,804	\$ 46,380,382	\$ 107,071,657	\$ 5,302,134	\$ 7,199,084
Total Liabilities	5,329,218	8,433,632	965,646	2,877,464	1,415,981
Total Fund Balances	1,892,586	37,946,750	106,106,011	2,424,670	5,783,103
Total Revenues	8,353,071	8,402,891	8,340,328	8,090,892	8,241,547
Total Expenditures	69,782,716	98,299,675	54,954,621	56,963,346	20,099,365
Total Other Financing Sources (Uses)	25,375,481	21,737,523	150,295,634	45,514,021	15,003,184

