

Midland School District No. 19

Independence County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2020



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

Midland School District No. 19 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 Midland School District No. 19 (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 26, 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 26, 2021
EDSD17220

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
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Arkansas

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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

Midland School District No. 19 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 Midland School District No. 19 (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 26, 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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2020-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of 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*.

District's Response to Findings

The District's response to the finding identified in our audit, is described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 26, 2021

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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

Midland School District No. 19 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

We have audited the Midland School District No. 19'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 26, 2021

MIDLAND SCHOOL DISTRICT NO. 19
 INDEPENDENCE COUNTY, ARKANSAS
 BALANCE SHEET - REGULATORY BASIS
 JUNE 30, 2020

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 483,278	\$ 70,653	\$ 815,126	\$ 29,238
Investments	548,286			
Accounts receivable		17,659		
TOTAL ASSETS	<u>\$ 1,031,564</u>	<u>\$ 88,312</u>	<u>\$ 815,126</u>	<u>\$ 29,238</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 30,517	\$ 3,390		
Due student groups				29,077
Total Liabilities	<u>30,517</u>	<u>3,390</u>		<u>29,077</u>
Fund Balances:				
Restricted	252,732	84,922		161
Assigned	30,119		\$ 815,126	
Unassigned	718,196			
Total Fund Balances	<u>1,001,047</u>	<u>84,922</u>	<u>815,126</u>	<u>161</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,031,564</u>	<u>\$ 88,312</u>	<u>\$ 815,126</u>	<u>\$ 29,238</u>

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

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MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE 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 Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 2,115,746		
State assistance	3,160,034	\$ 2,485	
Federal assistance		946,472	
Activity revenues	100,388		
Meal sales		3,757	
Investment income	12,167		
Other revenues	90,349	5	
TOTAL REVENUES	5,478,684	952,719	
EXPENDITURES			
Regular programs	2,274,237	10,182	
Special education	256,649	182,062	
Career education programs	170,435		
Compensatory education programs	56,134	247,933	
Other instructional programs	63,640		
Student support services	160,828	42,783	
Instructional staff support services	266,661	90,118	
General administration support services	200,824		
School administration support services	278,216		
Central services support services	41,645		
Operation and maintenance of plant services	612,691	6,900	\$ 106,751
Student transportation services	340,791	15,757	
Other support services	44,782		
Food services operations		362,277	
Community services operations		470	
Facilities acquisition and construction services			12,558
Activity expenditures	98,417		
Debt Service:			
Principal retirement	21,265		210,000
Interest and fiscal charges	2,578		130,575
TOTAL EXPENDITURES	4,889,793	958,482	459,884
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	588,891	(5,763)	(459,884)
OTHER FINANCING SOURCES (USES)			
Transfers in			534,830
Transfers out	(534,830)		
TOTAL OTHER FINANCING SOURCES (USES)	(534,830)		534,830
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	54,061	(5,763)	74,946
FUND BALANCES - JULY 1	946,986	90,685	740,180
FUND BALANCES - JUNE 30	\$ 1,001,047	\$ 84,922	\$ 815,126

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

MIDLAND SCHOOL DISTRICT NO. 19
 INDEPENDENCE 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			Special Revenue			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
REVENUES							
Property taxes (including property tax relief trust distribution)	\$ 1,931,000	\$ 2,115,746	\$ 184,746				
State assistance	3,190,617	3,160,034	(30,583)	\$ 1,006,604	\$ 2,485,946,472	\$ 2,485,946,472	\$ 2,485,946,472
Federal assistance							(60,132)
Activity revenues		100,388	100,388				757
Meal sales				3,000	3,757	3,757	
Investment income	7,426	12,167	4,741				
Other revenues	98,655	90,349	(8,306)		5	5	5
TOTAL REVENUES	5,227,698	5,478,684	250,986	1,009,604	952,719	(56,885)	
EXPENDITURES							
Regular programs	2,137,700	2,274,237	(136,537)		10,182	10,182	62,189
Special education	310,595	256,649	53,946		182,062	182,062	(61,834)
Career education programs	229,367	170,435	58,932				
Adult/continuing education program	49,588	56,134	(6,546)		247,933	247,933	104,060
Compensatory education programs	64,178	63,640	538				
Other instructional programs	152,525	160,828	(8,303)		42,783	42,783	32,341
Student support services	296,939	266,661	30,278		90,118	90,118	16,980
Instructional staff support services	194,973	200,824	(5,851)				
General administration support services	262,727	278,216	(15,489)				
School administration support services	41,410	41,645	(235)				
Central services support services	725,479	612,691	112,788		6,900	6,900	19,705
Operation and maintenance of plant services	248,680	340,791	(92,111)		15,757	15,757	(15,457)
Student transportation services	53,000	44,782	8,218				
Other support services				240,885	362,277	362,277	(121,392)
Food services operations				5,000	470	470	4,530
Community services operations							
Activity expenditures		98,417	(98,417)				
Debt Service:							
Principal retirement	117,364	21,265	96,099				
Interest and fiscal charges	3,300	2,578	722				
TOTAL EXPENDITURES	4,887,825	4,889,793	(1,968)	999,604	958,482	41,122	

MIDLAND SCHOOL DISTRICT NO. 19
 INDEPENDENCE 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			Special Revenue			Variance Favorable (Unfavorable)
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 339,873	\$ 588,891	\$ 249,018	\$ 10,000	\$ (5,763)	\$ (15,763)	
OTHER FINANCING SOURCES (USES)							
Transfers in	6,004,032		(6,004,032)				
Transfers out	(6,343,905)	(534,830)	5,809,075				
TOTAL OTHER FINANCING SOURCES (USES)	(339,873)	(534,830)	(194,957)				
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	1,057,723	54,061	54,061	10,000	(5,763)	(15,763)	
FUND BALANCES - JULY 1	1,057,723	946,986	(110,737)	82,412	90,685	8,273	
FUND BALANCES - JUNE 30	\$ 1,057,723	\$ 1,001,047	\$ (56,676)	\$ 92,412	\$ 84,922	\$ (7,490)	

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

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MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Midland School District (District). 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.

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.

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20-30
Buildings	50
Equipment	5-20

F. Property Taxes

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

Ark. Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2019 calendar year taxes collected by June 30, 2020 and 4 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes or the option to accrue property taxes was not applicable because the amount of property taxes collected by June 30, 2020 equaled or exceeded the 4 percent calculation.

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

F. Property Taxes (Continued)

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

G. Fund Balance Classifications

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

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.

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

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

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 District's Board of 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:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	1,446,481	1,570,391
Total Deposits	\$ 1,946,481	\$ 2,070,391

The above total deposits do not cash on hand of \$100. The above total deposits include certificates of deposit of \$548,286 reported as investments and classified as nonparticipating contracts.

3: **ACCOUNTS RECEIVABLE**

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

	Governmental Fund
Description	Major Special Revenue
Federal assistance	\$ 17,659

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: **COMMITMENTS**

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

Long-term Debt Issued and Outstanding

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2020</u>	<u>Maturities To June 30, 2020</u>
<u>Bonds</u>					
11/1/16	2/1/41	1 - 3%	\$ 6,125,000	\$ 5,540,000	\$ 585,000
<u>Direct Borrowings</u>					
9/3/15	9/3/20	5.5%	22,104	1,259	20,845
11/22/16	11/22/23	3.19%	116,969	45,221	71,748
Total Direct Borrowings			<u>139,073</u>	<u>46,480</u>	<u>92,593</u>
Total Long-Term Debt			<u>\$ 6,264,073</u>	<u>\$ 5,586,480</u>	<u>\$ 677,593</u>

Changes in Long-term Debt

	<u>Balance July 1, 2019</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2020</u>
Bonds payable	\$ 5,750,000		\$ 210,000	\$ 5,540,000
<u>Direct Borrowings</u>				
Capital lease	6,110		4,851	1,259
Installment contract	61,635		16,414	45,221
Total Direct Borrowings	<u>67,745</u>		<u>21,265</u>	<u>46,480</u>
Total Long-Term Debt	<u>\$ 5,817,745</u>	<u>\$ 0</u>	<u>\$ 231,265</u>	<u>\$ 5,586,480</u>

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

4: COMMITMENTS (Continued)

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	\$ 215,000	\$ 127,354	\$ 342,354	\$ 18,202	\$ 1,842	\$ 20,044
2022	220,000	124,559	344,559	17,487	1,290	18,777
2023	220,000	121,479	341,479	10,791	875	11,666
2024	225,000	118,178	343,178			
2025	230,000	114,579	344,579			
2026-2030	1,205,000	509,224	1,714,224			
2031-2035	1,345,000	375,743	1,720,743			
2036-2040	1,540,000	189,825	1,729,825			
2041	340,000	10,200	350,200			
Totals	<u>\$ 5,540,000</u>	<u>\$ 1,691,141</u>	<u>\$ 7,231,141</u>	<u>\$ 46,480</u>	<u>\$ 4,007</u>	<u>\$ 50,487</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
Copiers	<u>\$ 22,104</u>	<u>\$ 21,367</u>	<u>\$ 737</u>

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

Total Minimum Lease Payments	\$ 1,266
Less: Amount Representing Interest	<u>7</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 1,259</u>

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.

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

5: ACCOUNTS PAYABLE

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 30,517	\$ 3,390

6: INTERFUND TRANSFERS

The District transferred \$534,830 from the general fund to the other aggregate funds for debt related payments of \$340,575 and \$194,255 for future capital projects.

7: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.25% 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 \$477,486, 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 \$4,509,577.

8: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

FUND BALANCE - JULY 1	\$ 161
FUND BALANCE - JUNE 30	\$ 161

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

9: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$6,125,000 issued on November 1, 2016. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$7,231,141, payable through February 1, 2041. Principal and interest paid for the current year and total property taxes pledged for debt service were \$339,874 and \$568,987, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 59.73 percent.

10: RISK MANAGEMENT

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

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

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

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$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.

11: 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 \$116,202 for the year ended June 30, 2020.

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Alternative learning environment	\$ 509		
Enhanced student achievement funding	176,393		
English-language learners	2,056		
Professional development	2,520		
Child nutrition programs		\$ 9,191	
Medical services		39,404	
Special education programs	36,107	2,047	
Other purposes	35,147	34,280	
Total Restricted	252,732	84,922	
Assigned to:			
Capital projects			\$ 815,126
Student activities	30,051		
Other purposes	68		
Total Assigned	30,119		815,126
Unassigned	718,196		
Totals	\$ 1,001,047	\$ 84,922	\$ 815,126

13: 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.

14: SUBSEQUENT EVENT

The District issued \$5,675,000 in refunding bonds on October 1, 2020.

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MIDLAND SCHOOL DISTRICT NO. 19
 INDEPENDENCE COUNTY, ARKANSAS
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

Schedule 1

	Balance June 30, 2020
Nondepreciable capital assets:	
Land	\$ 317,500
Depreciable capital assets:	
Buildings	9,510,593
Improvements/infrastructure	936,350
Equipment	1,582,658
Total depreciable capital assets	12,029,601
Less accumulated depreciation for:	
Buildings	2,337,553
Improvements/infrastructure	313,149
Equipment	1,122,857
Total accumulated depreciation	3,773,559
Total depreciable capital assets, net	8,256,042
Capital assets, net	\$ 8,573,542

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	3211		\$ 77,426
Arkansas Department of Education - COVID-19 - School Breakfast Program	10.553	3211		<u>23,727</u>
Total for School Breakfast Program				<u>101,153</u>
Arkansas Department of Education - National School Lunch Program	10.555	3211		148,264
Arkansas Department of Human Services - National School Lunch Program (Note 3)	10.555	3211000		20,598
Arkansas Department of Education - COVID-19 - National School Lunch Program	10.555	3211		<u>37,748</u>
Total for National School Lunch Program				<u>206,610</u>
Total U. S. Department of Agriculture				<u>307,763</u>
TOTAL CHILD NUTRITION CLUSTER				<u>307,763</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	3211		133,364
Arkansas Department of Education - Special Education - Preschool Grants	84.173	3211		<u>25,952</u>
Total U. S. Department of Education				<u>159,316</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>159,316</u>
OTHER PROGRAMS				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	3211		<u>9,227</u>
Total U. S. Department of Agriculture				<u>9,227</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	3211		113,075
Arkansas Department of Education - Migrant Education - State Grant Program	84.011	3211		3,417
Arkansas Department of Education - Education for Homeless Children and Youth	84.196	3211		16,919
Arkansas Department of Education - Twenty-First Century Community Learning Centers	84.287	3211		172,668
Rural Education	84.358			13,631
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	3211		28,629
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	3211		<u>9,171</u>
Total U. S. Department of Education				<u>357,510</u>
TOTAL OTHER PROGRAMS				<u>366,737</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 833,816</u>

The accompanying notes are an integral part of this schedule.

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 2

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Midland School District No. 19 (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 Arkansas Department of Human Services.
- Note 4: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 5: During the year ended June 30, 2020, the District received Medicaid funding of \$8,419 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

MIDLAND SCHOOL DISTRICT NO. 19
 INDEPENDENCE 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:

- 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 federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes 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)? yes no

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027 and 84.173	Special Education Cluster (IDEA)

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

Auditee qualified as low-risk auditee? yes no

MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2020-001. Internal Control

Criteria: Internal control is a process consisting of five interrelated components - control environment, risk assessment, information and communication, control activities, and monitoring. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, certain key weaknesses include the following: bank reconciliations of the primary operating account were prepared by the same employee responsible for the maintenance of accounting records; bank deposits were prepared by the same employee issuing receipts; payroll checks were prepared by the same employee responsible for changes to the payroll amounts; and accounts payable checks were prepared by the same employee responsible for entering invoices, without compensating controls.

Cause: District management did not effectively address the deficiencies in internal control, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees.

Effect or potential effect: The District's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard District assets, was adversely affected by the identified weaknesses in the above internal control component.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets.

Views of responsible officials: We concur with the recommendation and will implement corrective procedures to the extent possible.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.

Midland School District

Office of the Superintendent

PO Box 630
Pleasant Plains, AR 72568

741 Main Street
(501)345-8844

Schedule 4

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

FINANCIAL STATEMENT FINDINGS

2019 – Finding 2019-001: Internal Control

2018 – Finding 2018-001: Internal Control

Condition: Deficiencies in the internal control component of control activities adversely affected the District's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the District's financial statements would not be prevented, or detected and corrected on a timely basis. Financial accounting duties were not adequately segregated among employees. Specifically, certain key weaknesses include the following: bank reconciliations of the primary operating account were prepared by the same employee responsible for the maintenance of accounting records; bank deposits were prepared by the same employee issuing receipts; payroll checks were prepared by the same employee responsible for changes to the payroll amounts; and accounts payable checks were prepared by the same employee responsible for entering invoices, without compensating controls.

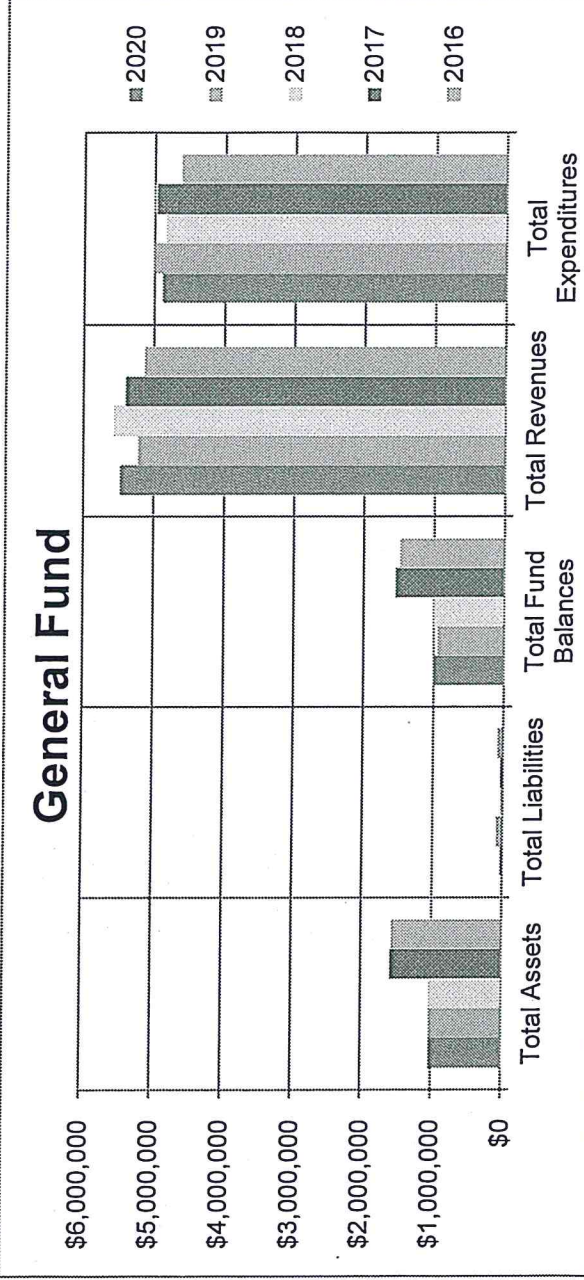
Current Status: Areas involving lack of segregation of duties had not yet been addressed by the District. See Finding 2020-001 at Schedule 3.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

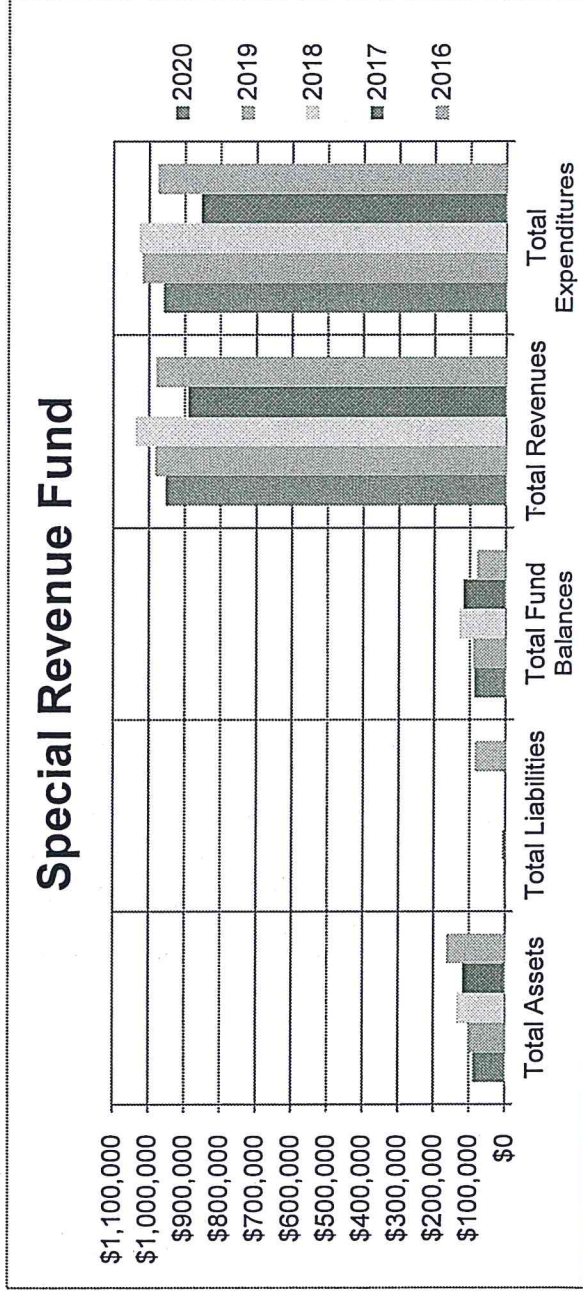
MIDLAND SCHOOL DISTRICT NO. 19
INDEPENDENCE COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2020
(Unaudited)

	Year Ended June 30,				
	2020	2019	2018	2017	2016
General Fund					
Total Assets	\$ 1,031,564	\$ 1,033,594	\$ 1,031,809	\$ 1,586,674	\$ 1,565,381
Total Liabilities	30,517	86,608	32,756	37,298	73,134
Total Fund Balances	1,001,047	946,986	999,053	1,549,376	1,492,247
Total Revenues	5,478,684	5,217,445	5,569,293	5,398,670	5,126,630
Total Expenditures	4,889,793	4,998,242	4,843,289	4,974,848	4,621,421
Total Other Financing Sources (Uses)	(534,830)	(271,270)	(1,276,327)	(366,693)	(554,570)



MIDLAND SCHOOL DISTRICT NO. 19
 INDEPENDENCE COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2020	2019	2018	2017	2016
Total Assets	\$ 88,312	\$ 99,285	\$ 131,524	\$ 117,151	\$ 162,845
Total Liabilities	3,390	8,600	3,608	66	84,085
Total Fund Balances	84,922	90,685	127,916	117,085	78,760
Total Revenues	952,719	982,689	1,036,119	889,217	978,728
Total Expenditures	958,482	1,018,920	1,025,288	854,174	975,146
Total Other Financing Sources (Uses)		(1,000)		3,282	



MIDLAND SCHOOL DISTRICT NO. 19
 INDEPENDENCE COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2020
 (Unaudited)

	Year Ended June 30,				
	2020	2019	2018	2017	2016
Other Aggregate Funds					
Total Assets	\$ 815,126	\$ 740,180	\$ 1,231,885	\$ 453,435	\$ 1,776,479
Total Liabilities					37,860
Total Fund Balances	815,126	740,180	1,231,885	453,435	1,738,619
Total Revenues			4,728		
Total Expenditures	459,884	762,975	497,877	1,916,145	1,160,050
Total Other Financing Sources (Uses)	534,830	271,270	1,276,327	626,233	576,674

