

Little Rock School District

Pulaski County, Arkansas

**Regulatory Basis Financial Statements
and Other Reports**

June 30, 2019

LEGISLATIVE JOINT AUDITING COMMITTEE



LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
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Arkansas

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

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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Little Rock School District and Arkansas Department of Education
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Little Rock School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting provisions of 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. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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, 2019, 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, 2019, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of 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 March 9, 2020 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
March 9, 2020
EDSD32119

Arkansas

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



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
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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

Little Rock School District and Arkansas Department of Education
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Little Rock School District (the "District"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 9, 2020. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2019, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

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

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the District in a separate letter dated March 9, 2020.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Patrick Nutt". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 9, 2020

Arkansas

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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

Little Rock School District and Arkansas Department of Education
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, 2019. The District's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements 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, 2019.

Report on Internal Control Over Compliance

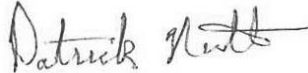
Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the 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



Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 9, 2020

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Little Rock School District and Arkansas Department of Education
Legislative Joint Auditing Committee

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

1. In March 2019, the District discovered \$53,575 in unauthorized payments to a Bookkeeper during the period November 30, 2016 through March 15, 2019. The Bookkeeper, who resigned from employment, submitted and received payment for time he did not work in an after-school program, as well as additional overtime. As of the report date, the District had not recovered any of the funds. An investigation by law enforcement is ongoing.
2. As previously reported in the fiscal year 2018 audit report, a law enforcement agency is in the process of investigating certain financial transactions of the District. We will issue a report concerning these transactions at the completion of the investigation.

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Patrick Nutt".

Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 9, 2020

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2019

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 32,497,158	\$ 1,249,167	\$ 44,658,964	\$ 2,115,548
Investments				2,805,375
Accounts receivable	530,807	3,551,568		
Deposit with paying agent			1,721,418	
TOTAL ASSETS	\$ 33,027,965	\$ 4,800,735	\$ 46,380,382	\$ 4,920,923
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 7,654,771	\$ 56,992	\$ 8,433,632	\$ 315
Due student groups				763,203
Total Liabilities	7,654,771	56,992	8,433,632	763,518
Fund Balances:				
Nonspendable				2,805,375
Restricted	2,637,443	4,743,743	37,947,200	1,352,030
Assigned	1,816,709			
Unassigned	20,919,042		(450)	
Total Fund Balances	25,373,194	4,743,743	37,946,750	4,157,405
TOTAL LIABILITIES AND FUND BALANCES	\$ 33,027,965	\$ 4,800,735	\$ 46,380,382	\$ 4,920,923

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, 2019

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 160,557,356		\$ 7,052,703
State assistance	86,104,743	\$ 75,250	
Federal assistance		42,050,641	
Activity revenues	3,162,940		
Meal sales		2,142,174	
Investment income	74,113	4,920	209,554
Other revenues	3,733,140	66,055	1,140,634
TOTAL REVENUES	253,632,292	44,339,040	8,402,891
EXPENDITURES			
Regular programs	96,194,480	7,318,880	410,774
Special education	20,689,677	4,038,050	
Career education programs	5,650,066	7,779	
Adult/continuing education program	665,240	166,653	
Compensatory education programs	4,146,186	5,847,240	
Other instructional programs	12,824,704	218,234	
Student support services	11,963,041	2,773,124	
Instructional staff support services	17,449,177	8,720,976	1,429,187
General administration support services	3,325,526	651,930	
School administration support services	15,222,476		
Central services support services	7,763,335		4,325,429
Operation and maintenance of plant services	24,474,355	31,298	392,577
Student transportation services	13,926,058	186,949	
Other support services	430,495		
Food services operations	939,683	11,317,787	
Community services operations	38,703	389,635	
Facilities acquisition and construction services		188,348	70,780,335
Non-programmed costs		419,636	
Activity expenditures	3,243,099		
Debt Service:			
Principal retirement	892,560		13,825,000
Interest and fiscal charges	328,439		7,729,373
Net debt issuance costs			(593,000)
TOTAL EXPENDITURES	240,167,300	42,276,519	98,299,675
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	13,464,992	2,062,521	(89,896,784)
OTHER FINANCING SOURCES (USES)			
Transfers in			21,552,491
Transfers out	(21,552,491)		
Proceeds from capital lease			776,150
Proceeds from refunding bond issue			33,770,000
Payment to refunding bond escrow agent			(34,361,118)
Sale of capital assets	281,305		
Refund to grantor		(7,023)	
TOTAL OTHER FINANCING SOURCES (USES)	(21,271,186)	(7,023)	21,737,523

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, 2019

Exhibit B

	Major		
	General	Special Revenue	Other Aggregate
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (7,806,194)	\$ 2,055,498	\$ (68,159,261)
FUND BALANCES - JULY 1	33,179,388	2,688,245	106,106,011
FUND BALANCES - JUNE 30	\$ 25,373,194	\$ 4,743,743	\$ 37,946,750

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, 2019

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 161,340,511	\$ 160,557,356	\$ (783,155)			
State assistance	85,675,386	86,104,743	429,357	\$ 77,109	\$ 75,250	\$ (1,859)
Federal assistance				46,458,911	42,050,641	(4,408,270)
Activity revenues	4,854,143	3,162,940	(1,691,203)			
Meal sales				2,696,000	2,142,174	(553,826)
Investment income	115,000	74,113	(40,887)	3,000	4,920	1,920
Other revenues	3,856,505	3,733,140	(123,365)	30,000	66,055	36,055
TOTAL REVENUES	255,841,545	253,632,292	(2,209,253)	49,265,020	44,339,040	(4,925,980)
EXPENDITURES						
Regular programs	96,431,914	96,194,480	237,434	7,552,294	7,318,880	233,414
Special education	20,829,630	20,689,677	139,953	4,238,078	4,038,050	200,028
Career education programs	6,520,141	5,650,066	870,075		7,779	(7,779)
Adult/continuing education program	663,395	665,240	(1,845)	177,915	166,653	11,262
Compensatory education programs	3,859,294	4,146,186	(286,892)	7,514,672	5,847,240	1,667,432
Other instructional programs	13,420,202	12,824,704	595,498	194,961	218,234	(23,273)
Student support services	11,850,825	11,963,041	(112,216)	2,966,340	2,773,124	193,216
Instructional staff support services	17,346,496	17,449,177	(102,681)	10,189,340	8,720,976	1,468,364
General administration support services	3,668,940	3,325,526	343,414	859,925	651,930	207,995
School administration support services	15,365,211	15,222,476	142,735			
Central services support services	7,321,360	7,763,335	(441,975)			
Operation and maintenance of plant services	26,377,383	24,474,355	1,903,028	11,847	31,298	(19,451)
Student transportation services	13,888,055	13,926,058	(38,003)	313,152	186,949	126,203
Other support services	393,800	430,495	(36,695)			
Food services operations	1,500,000	939,683	560,317	12,567,185	11,317,787	1,249,398
Community services operations		38,703	(38,703)	574,432	389,635	184,797
Facilities acquisition and construction services				652,909	188,348	464,561
Non-programmed costs				503,120	419,636	83,484
Activity expenditures	3,919,257	3,243,099	676,158			
Debt Service:						
Principal retirement	892,560	892,560				
Interest and fiscal charges	328,439	328,439				
TOTAL EXPENDITURES	244,576,902	240,167,300	4,409,602	48,316,170	42,276,519	6,039,651

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, 2019

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 11,264,643	\$ 13,464,992	\$ 2,200,349	\$ 948,850	\$ 2,062,521	\$ 1,113,671
OTHER FINANCING SOURCES (USES)						
Transfers in	330,086,343		(330,086,343)			
Transfers out	(351,136,564)	(21,552,491)	329,584,073			
Sale of capital assets		281,305	281,305			
Refund to grantor					(7,023)	(7,023)
TOTAL OTHER FINANCING SOURCES (USES)	(21,050,221)	(21,271,186)	(220,965)		(7,023)	(7,023)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(9,785,578)	(7,806,194)	1,979,384	948,850	2,055,498	1,106,648
FUND BALANCES - JULY 1	36,155,257	33,179,388	(2,975,869)	3,052,762	2,688,245	(364,517)
FUND BALANCES - JUNE 30	<u>\$ 26,369,679</u>	<u>\$ 25,373,194</u>	<u>\$ (996,485)</u>	<u>\$ 4,001,612</u>	<u>\$ 4,743,743</u>	<u>\$ 742,131</u>

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

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

On January 28, 2015, the Arkansas Department of Education (ADE) assumed control of the Little Rock School District (District) and dissolved the local school board. 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.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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
Buildings and improvements	10-50
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 2018 calendar year taxes collected by June 30, 2019 and 8 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, 2019 equaled or exceeded the 8 percent calculation.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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. 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.

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 Department 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 Arkansas Department of Education has not formally adopted a minimum fund balance policy.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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 Arkansas Department 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)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	80,270,637	90,943,397
Total Deposits	\$ 80,520,637	\$ 91,193,397

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

3. INVESTMENTS

At June 30, 2019, the District's investments consisted of Chevron Corporation common stock with a fair value of \$2,805,375. 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.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3. INVESTMENTS (Continued)

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 were no investments classified in Levels 2 or 3.

4: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 174,507	
Federal assistance		\$ 3,551,568
Other	356,300	
Totals	\$ 530,807	\$ 3,551,568

5: COMMITMENTS

The District was contractually obligated for the following at June 30, 2019:

A. Construction Contracts

Project Name	Estimated Completion Date	Contract Balance
Southwest High School	August 15, 2020	\$ 43,070,392
Pulaski Heights Middle School HVAC Upgrade	August 1, 2019	519,255
Booker Elementary School Renovations	July 1, 2019	394,058
Forrest Heights Middle School Gym/Kitchen HVAC Upgrade	August 1, 2019	339,548
Mann Middle School Gym HVAC Upgrade	August 1, 2019	316,726
Western Hills Elementary School Restroom Renovations	March 1, 2020	283,258

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 \$825,617 for the year ended June 30, 2019.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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, 2019	Maturities To June 30, 2019
Bonds					
7/28/05	7/25/21		\$ 2,212,252	\$ 2,212,252	
12/15/11	2/1/20	1 - 1.9%	3,940,000	500,000	\$ 3,440,000
12/1/15	2/1/33	3 - 3.5%	126,740,000	107,140,000	19,600,000
12/15/15	2/1/33	2 - 3.25%	17,995,000	15,985,000	2,010,000
9/21/17	2/1/33	1.1 - 3.32%	92,055,000	81,470,000	10,585,000
6/26/19	2/1/33	3.0%	33,770,000	33,770,000	
Total Bonds			<u>276,712,252</u>	<u>241,077,252</u>	<u>35,635,000</u>
Direct Borrowings					
7/19/13	8/1/19	1.86%	586,300	86,901	499,399
10/30/15	12/1/21	1.74%	518,000	226,134	291,866
8/8/16	10/1/20	1.51%	415,340	167,744	247,596
10/21/16	12/1/22	1.65%	536,460	309,559	226,901
4/7/17	1/15/33	2.5%	12,861,672	11,671,765	1,189,907
6/1/19	6/1/23		776,150	776,150	
Total Direct Borrowings			<u>15,693,922</u>	<u>13,238,253</u>	<u>2,455,669</u>
Total Long-Term Debt			<u>\$ 292,406,174</u>	<u>\$ 254,315,505</u>	<u>\$ 38,090,669</u>

Changes in Long-term Debt

	Balance July 01, 2018	Issued	Retired	Balance June 30, 2019
Bonds payable	\$ 254,967,252	\$ 33,770,000	\$ 47,660,000 *	\$ 241,077,252
Direct Borrowings				
Capital leases	1,104,676	776,150	314,338	1,566,488
Installment contract	12,249,987		578,222	11,671,765
Total Direct Borrowings	<u>13,354,663</u>	<u>776,150</u>	<u>892,560</u>	<u>13,238,253</u>
Total Long-Term Debt	<u>\$ 268,321,915</u>	<u>\$ 34,546,150</u>	<u>\$ 48,552,560</u>	<u>\$ 254,315,505</u>

* Includes \$33,835,000 early retirement of debt – See Note 7.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

5: COMMITMENTS (Continued)

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2020	\$ 13,205,000	\$ 6,866,790	\$ 20,071,790	\$ 1,249,633	\$ 308,465	\$ 1,558,098
2021	14,555,000	6,893,894	21,448,894	1,054,437	287,354	1,341,791
2022	17,142,252	6,467,144	23,609,396	1,017,550	266,708	1,284,258
2023	15,425,000	6,029,344	21,454,344	989,162	246,167	1,235,329
2024	15,830,000	5,575,819	21,405,819	795,801	225,762	1,021,563
2025-2029	86,100,000	20,546,635	106,646,635	4,291,246	816,568	5,107,814
2030-2033	78,820,000	6,446,351	85,266,351	3,840,424	245,827	4,086,251
Totals	<u>\$ 241,077,252</u>	<u>\$ 58,825,977</u>	<u>\$ 299,903,229</u>	<u>\$ 13,238,253</u>	<u>\$ 2,396,851</u>	<u>\$ 15,635,104</u>

Capital Leases

Capital assets acquired through capital leases consisted of the following at June 30, 2019:

Class of Property	Cost	Accumulated Depreciation	Net Value
Equipment-Buses	\$ 586,300	\$ 306,179	\$ 280,121
Equipment-Buses	518,000	198,567	319,433
Equipment-Buses	536,460	143,056	393,404
Equipment-Vehicles	415,340	404,095	11,245
Equipment-Technology	776,150		776,150
Total	<u>\$ 2,832,250</u>	<u>\$ 1,051,897</u>	<u>\$ 1,780,353</u>

The present value of the net minimum lease payments is as follows at June 30, 2019:

Total Minimum Lease Payments	\$ 1,592,943
Less: Amount Representing Interest	<u>26,455</u>
Total Present Value of Net Minimum Lease Payments	<u>\$ 1,566,488</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, 2019

5: COMMITMENTS (Continued)

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Arkansas Department of Education (ADE). Depending on the date of the bond issue, ADE 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, 2019 were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	Major			
	General	Special Revenue	Other Aggregate	
Vendor payables	\$ 1,824,981	\$ 56,515	\$ 8,433,632	\$ 315
Payroll withholdings and matching	5,829,790			
Due to grantors		477		
Totals	<u>\$ 7,654,771</u>	<u>\$ 56,992</u>	<u>\$ 8,433,632</u>	<u>\$ 315</u>

7: DEBT REFUNDING

On June 26, 2019, the District issued refunding bonds of \$33,770,000 with an interest rate of 3 percent to refund \$33,835,000 of outstanding bonds dated January 15, 2012. The interest rates of the bonds refunded were 2 to 3.75 percent. Net bond proceeds of \$34,361,118 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds will be called on July 26, 2019. The refunding bonds were sold at a premium of \$692,920 which is included in the net bond proceeds amount remitted to the escrow agent. The net of the bond premium (\$692,920) and bond issuance costs (\$99,920) resulted in a negative amount reported for net debt issuance costs of \$593,000 at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis (Exhibit B). The remaining proceeds of \$1,882 (after payment of \$99,920 in bond issuance costs) will be utilized for subsequent debt payments. The issuance of these bonds will result in a savings of \$1,470,625 to the District over the life of the bonds.

The outstanding principal of the bonds refunded was \$33,835,000 at June 30, 2019. U.S. Government securities of \$34,360,368 purchased by the escrow agent, were pledged for the retirement of these bonds.

8: INTERFUND TRANSFERS

The District transferred \$21,552,491 from the general fund to the other aggregate funds for debt service payments.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

9: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description

The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers 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.arts.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2019 were \$23,781,091, 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, 2019 was \$229,529, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date), including the aforementioned secondary area center for career and technical education, was \$210,836,128.

Arkansas Public Employees Retirement System

Plan Description

The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain non-teaching school employees. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or by visiting the APERS website at www.apers.org.

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2019 were \$17,103, equal to the required contributions.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

9: RETIREMENT PLANS (Continued)

Arkansas Public Employees Retirement System

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$203,492.

10: CHANGES IN PRIVATE-PURPOSE TRUST FUNDS

ADDITIONS	
Donations	\$ 2,000
Interest	2,536
Dividends	<u>104,153</u>
 TOTAL ADDITIONS	 <u>108,689</u>
 DEDUCTIONS	
Scholarships	17,386
Unrealized loss in fair market value of investments	44,863
Other	<u>1,125</u>
 TOTAL DEDUCTIONS	 <u>63,374</u>
 CHANGE IN FUND BALANCE	 45,315
 FUND BALANCE - JULY 1	 <u>4,112,090</u>
 FUND BALANCE - JUNE 30	 <u><u>\$ 4,157,405</u></u>

11: DEFICIT FUND BALANCE

The deficit unassigned fund balance of \$450 in the other aggregate fund, as displayed in the table at Note 15 below, is from the capital outlay fund. The temporary deficit was caused by the recognition of minor accounts payable at year-end.

12: 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 \$299,903,229, payable through February 1, 2033. Principal and interest paid for the current year and total property taxes pledged for debt service were \$21,547,550 and \$44,792,343, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 48.11 percent.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

13: 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.

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.

14: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$5,593,052 for the year ended June 30, 2019.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Educational programs -			
national school lunch state			
categorical funding	\$ 180,280		
English-language learners	213,841		
Professional development	51,461		
Capital projects			\$ 36,225,782
Child nutrition programs		\$ 4,676,266	
Debt service			1,721,418
Medical services		23,764	
Arkansas school recognition program	85,083		
Juvenile detention center	364,269		
National school lunch match grant	466,051		
Workforce center operations	605,687		
Early childhood programs	404,679		
School based health centers	61,822		
Verizon innovative learning project	122,300		
Other purposes	81,970	43,713	
Total Restricted	<u>2,637,443</u>	<u>4,743,743</u>	<u>37,947,200</u>
Assigned to:			
Student activities	1,316,399		
Self-insurance claims	500,310		
Total Assigned	<u>1,816,709</u>		
Unassigned	<u>20,919,042</u>		<u>(450)</u>
Totals	<u>\$ 25,373,194</u>	<u>\$ 4,743,743</u>	<u>\$ 37,946,750</u>

16: SALE OF CAPITAL ASSETS

The District received \$281,305 for the sale of Woodruff Elementary School building.

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2019
(Unaudited)

Schedule 1

	Balance June 30, 2019
<i>Nondepreciable capital assets:</i>	
Land	\$ 21,095,194
Construction in progress	105,601,277
Total nondepreciable capital assets	126,696,471
 <i>Depreciable capital assets:</i>	
Buildings	321,740,761
Equipment	65,332,952
Total depreciable capital assets	387,073,713
 Less accumulated depreciation for:	
Buildings	201,411,153
Equipment	54,974,074
Total accumulated depreciation	256,385,227
Total depreciable capital assets, net	130,688,486
Capital assets, net	\$ 257,384,957

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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	6001		\$ 3,240,520
National School Lunch Program (Note 3)	10.555			239,227
Arkansas Department of Education - National School Lunch Program	10.555	6001		6,880,103
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	6001000		654,659
Total for National School Lunch Program				<u>7,773,989</u>
Total U. S. Department of Agriculture				<u>11,014,509</u>
TOTAL CHILD NUTRITION CLUSTER				<u>11,014,509</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027	6001		5,929,785
Arkansas Department of Education - Special Education - Preschool Grants	84.173	6001		252,418
Total U. S. Department of Education				<u>6,182,203</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>6,182,203</u>
TANF CLUSTER				
<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
TOTAL TANF CLUSTER				<u>4,900,000</u>
OTHER PROGRAMS				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Child Nutrition Discretionary Grants Limited Availability	10.579	6001		76,054
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	6001		83,619
Total U. S. Department of Agriculture				<u>159,673</u>
<u>U. S. Department of Defense</u>				
ROTC (Note 5)	12-AR060012			149,037
Total U. S. Department of Defense				<u>149,037</u>
<u>U. S. Department of the Interior</u>				
City of Little Rock - Historic Preservation Fund Grants-in-Aid	15.904	Unavailable		180,571
Total U. S. Department of the Interior				<u>180,571</u>
<u>National Endowment for the Arts</u>				
Department of Arkansas Heritage-Arkansas Arts Council - Promotion of the Arts - Partnership Agreements	45.025	6001		11,716
Total National Endowment for the Arts				<u>11,716</u>

LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2019

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>OTHER PROGRAMS (Continued)</u>				
<u>U. S. Department of Education</u>				
Arkansas Department of Career Education - Adult Education - Basic Grants to States	84.002	6001		177,438
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010	6001		10,839,749
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048	6001		409,009
Arkansas Department of Education - Education for Homeless Children and Youth	84.196	6001		78,302
Arkansas Department of Education - Twenty-First Century Community Learning Centers	84.287	6001		986,524
Great Rivers Education Service Cooperative - Special Education - State Personnel Development	84.323	6001000		100,000
Arkansas Department of Education - English Language Acquisition State Grants	84.365	6001		315,324
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367	6001		1,145,852
Arkansas Department of Education - School Improvement Grants	84.377	6001		1,593,877
Arkansas Department of Human Services - Preschool Development Grants	84.419	6001000		2,406,263
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424	6001		213,050
Total U. S. Department of Education				18,265,388
TOTAL OTHER PROGRAMS				18,766,385
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 0	\$ 40,863,097

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, 2019. 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, 2019, the District received Medicaid funding of \$296,303 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, 2019

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
84.287	Twenty-First Century Community Learning Centers
84.365	English Language Acquisition State Grants
84.377	School Improvement Grants
93.558	Temporary Assistance for Needy Families Cluster

Dollar threshold used to distinguish between type A and type B programs: \$ 1,225,893

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



Schedule 4

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019**

FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

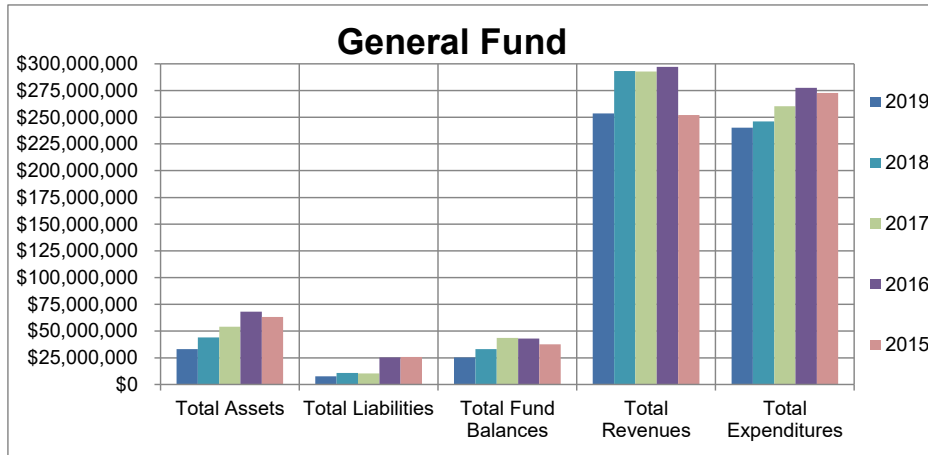
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

810 West Markham Street – Little Rock, AR 72201

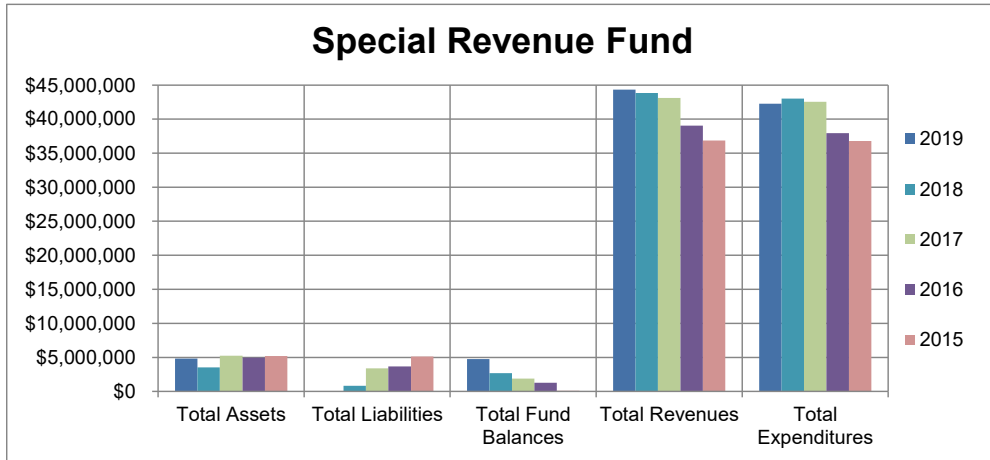
LITTLE ROCK SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2019
(Unaudited)

General Fund	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 33,027,965	\$ 44,037,734	\$ 54,001,188	\$ 68,171,054	\$ 63,278,657
Total Liabilities	7,654,771	10,858,346	10,341,507	25,239,530	25,751,675
Total Fund Balances	25,373,194	33,179,388	43,659,681	42,931,524	37,526,982
Total Revenues	253,632,292	293,321,348	292,829,873	296,977,546	252,053,228
Total Expenditures	240,167,300	246,020,361	260,401,167	277,436,557	272,767,008
Total Other Financing Sources (Uses)	(21,271,186)	(57,781,280)	(31,700,549)	(14,136,447)	25,694,664



LITTLE ROCK SCHOOL DISTRICT
 PULASKI COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 4,800,735	\$ 3,504,020	\$ 5,225,154	\$ 4,935,001	\$ 5,185,945
Total Liabilities	56,992	815,775	3,371,275	3,654,303	5,117,362
Total Fund Balances	4,743,743	2,688,245	1,853,879	1,280,698	68,583
Total Revenues	44,339,040	43,835,902	43,115,839	39,059,273	36,836,232
Total Expenditures	42,276,519	42,995,416	42,542,658	37,940,966	36,765,910
Total Other Financing Sources (Uses)	(7,023)	(6,120)		93,808	21,064



LITTLE ROCK SCHOOL DISTRICT
 PULASKI COUNTY, ARKANSAS
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 46,380,382	\$ 107,071,657	\$ 5,302,134	\$ 7,199,084	\$ 2,884,475
Total Liabilities	8,433,632	965,646	2,877,464	1,415,981	246,738
Total Fund Balances	37,946,750	106,106,011	2,424,670	5,783,103	2,637,737
Total Revenues	8,402,891	8,340,328	8,090,892	8,241,547	47,855,838
Total Expenditures	98,299,675	54,954,621	56,963,346	20,099,365	23,657,360
Total Other Financing Sources (Uses)	21,737,523	150,295,634	45,514,021	15,003,184	(25,746,664)

