

**LAVACA SCHOOL DISTRICT NO. 3**

**SEBASTIAN COUNTY, ARKANSAS**

**REGULATORY BASIS  
FINANCIAL STATEMENTS  
AND OTHER REPORTS**

**FOR THE YEAR ENDED  
JUNE 30, 2019**

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
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Cliff Hubbs, CPA

Kenny Whitehead, CPA

1111 Fayetteville Road  
Van Buren, AR 72956  
Ph: (479) 474-3454  
Fax: (479) 474-7165  
handwcpas.com

**Hubbs & Whitehead, CPAs**  
Certified Public Accountants



## Independent Auditor's Report

**The School Board  
Lavaca School District No. 3  
Lavaca, Arkansas**

### Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the **Lavaca School District No. 3** (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. Section 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the District on the basis of the financial reporting provisions of Ark. Code Ann. Section 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.

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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 **Lavaca School District No. 3**, as of **June 30, 2019**, or the changes in financial position for the year then ended.

#### **Opinion 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. Section 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

#### **Other Matters**

##### *Required Supplementary Information*

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

##### *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 Capital Assets (page 21), Schedule of Expenditures of Federal Awards (page 22), as required by U.S. Office of Management and Uniform Guidance, Audits of States, Local Governments, and Non-Profit Organizations, Schedule of Expenditures of State Awards (page 23), Federal Award Programs – Findings and Questioned Costs (page 28) and Statutes of Prior Audit Findings (page 29) are presented for purposes of additional analysis and are not a required part of the regulatory basis of financial statements. The Schedule of Expenditures of Federal Awards (page 22), Federal Award Programs – Findings and Questioned Costs (page 28) and Status of Prior Audit Findings (page 29) have been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements taken as a whole. The Schedule of Capital Assets (page 21) has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on it.

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

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated **December 20, 2019**, on our consideration of the **Lavaca School District No. 3'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 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 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 **Lavaca School District No. 3's** internal control over financial reporting and compliance.

A handwritten signature in black ink, appearing to read "Hubbs & Whitehead CPAs", is written over the printed name.

**Hubbs & Whitehead CPAs**  
**Certified Public Accountants**

**Van Buren, Arkansas**  
**December 20, 2019**



Cliff Hubbs, CPA

Kenny Whitehead, CPA

1111 Fayetteville Road  
Van Buren, AR 72956  
Ph: (479) 474-3454  
Fax: (479) 474-7165  
handwcpas.com

**Hubbs & Whitehead, CPAs**  
Certified Public Accountants



**Independent Auditor's 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**

**The School Board  
Lavaca School District No. 3  
Lavaca, Arkansas**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the **Lavaca School District No. 3** (the "District"), as of and for the year ended **June 30, 2019**, and the related notes to financial statements which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated **December 20, 2019**. 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 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 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

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

**Purpose of this Report**

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

A handwritten signature in black ink, appearing to read "Hubbs & Whitehead CPAs", is written above the printed name.

**Hubbs & Whitehead CPA's**

**Van Buren, Arkansas**

**December 20, 2019**



Cliff Hubbs, CPA

Kenny Whitehead, CPA

1111 Fayetteville Road  
Van Buren, AR 72956  
Ph: (479) 474-3454  
Fax: (479) 474-7165  
handwcpas.com

**Hubbs & Whitehead, CPAs**  
Certified Public Accountants



**Independent Auditor's Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control over Compliance in  
Accordance With Uniform Guidance**

**The School Board  
Lavaca School District No. 3  
Lavaca, Arkansas**

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

We have audited the **Lavaca School District No. 3's** (the District) compliance with the types of compliance requirements described in the *Uniform Guidance 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 the requirements of laws, regulations, contracts, and grants 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 Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*. 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

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report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose. This report is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and are not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Arkansas Code Annotated §10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.



Hubbs & Whitehead, CPA's

Van Buren, Arkansas  
December 20, 2019

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2019**

	Governmental Funds			
	Major			
	General	Special Revenue	Other Aggregate	Fiduciary Type Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,310,113	\$ -	\$ 1,904,467	\$ 82,336
Deposits with paying agents	-	-	489,523	-
Due from other funds	42,129	-	-	-
Accounts receivable	53,916	77,991	22,425	-
<b>TOTAL ASSETS</b>	<u>1,406,158</u>	<u>77,991</u>	<u>2,416,415</u>	<u>82,336</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	20,036	19,735	-	2,830
Due to other funds	-	42,129	-	-
Due to student groups	-	-	-	79,506
<b>Total Liabilities</b>	<u>20,036</u>	<u>61,864</u>	<u>-</u>	<u>82,336</u>
Fund Balances:				
Nonspendable	-	-	489,523	-
Restricted	230,224	16,127	1,926,892	-
Assigned	82,336	-	-	-
Unassigned	1,073,562	-	-	-
<b>Total Fund Balances</b>	<u>1,386,122</u>	<u>16,127</u>	<u>2,416,415</u>	<u>-</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 1,406,158</u>	<u>\$ 77,991</u>	<u>\$ 2,416,415</u>	<u>\$ 82,336</u>



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2019**

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
<b>REVENUES</b>			
Property taxes	\$ 2,661,966	\$ -	\$ -
State assistance	4,851,629	9,675	-
Federal assistance	12,071	778,572	44,875
Meals	-	125,705	-
Activities revenue	114,223	-	-
Interest income	13,377	-	10,980
Other revenues	74,062	-	-
<b>TOTAL REVENUES</b>	<b>7,727,328</b>	<b>913,952</b>	<b>55,855</b>
<b>EXPENDITURES</b>			
Regular programs	3,347,442	7,061	-
Special education	364,628	129,413	-
Workforce education	195,395	-	-
Compensatory education	35,977	163,792	-
Other instructional programs	143,842	-	-
Other support services	38,269	-	-
Student support services	365,746	62,540	-
Instructional staff support services	410,377	67,367	5,516
General administration support services	302,349	40,753	-
School administration support services	414,290	-	-
Business support services	102,811	-	-
Operation and maintenance of plant services	750,119	9,935	173,727
Student transportation services	279,611	815	-
Food services operations	14,268	435,332	-
Activity expenditures	110,245	-	-
Building improvements services	2,755	-	33,366
Education specification development	-	-	35,605
Debt service:			
Principal retirement	65,126	-	490,000
Interest and fiscal charges	8,423	-	286,670
<b>TOTAL EXPENDITURES</b>	<b>6,951,673</b>	<b>917,008</b>	<b>1,024,884</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>775,655</b>	<b>(3,056)</b>	<b>(969,029)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	9,093,113	25,434	862,795
Transfers out	(9,873,012)	(25,434)	(82,896)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(779,899)</b>	<b>-</b>	<b>779,899</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(4,244)</b>	<b>(3,056)</b>	<b>(189,130)</b>
<b>FUND BALANCES - JULY 1, 2018</b>	<b>1,390,366</b>	<b>19,183</b>	<b>2,605,545</b>
<b>FUND BALANCES - JUNE 30, 2019</b>	<b>\$ 1,386,122</b>	<b>\$ 16,127</b>	<b>\$ 2,416,415</b>

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN 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**

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>						
Property taxes	\$ 2,309,851	\$ 2,661,966	\$ 352,115	\$ -	\$ -	\$ -
State assistance	4,645,209	4,851,629	206,420	12,200	9,675	(2,525)
Federal assistance	11,500	12,071	571	819,000	778,572	(40,428)
Meals	-	-	-	115,973	125,705	9,732
Activities revenue	-	114,223	114,223	-	-	-
Interest income	13,500	13,377	(123)	-	-	-
Other revenues	67,925	74,062	6,137	-	-	-
<b>TOTAL REVENUES</b>	<b>7,047,985</b>	<b>7,727,328</b>	<b>679,343</b>	<b>947,173</b>	<b>913,952</b>	<b>(33,221)</b>
<b>EXPENDITURES</b>						
Regular programs	3,159,435	3,347,442	(188,007)	10,238	7,061	3,177
Special education	344,392	364,628	(20,236)	130,892	129,413	1,479
Workforce education	193,329	195,395	(2,066)	-	-	-
Compensatory education	34,860	35,977	(1,117)	197,710	163,792	33,918
Other instructional programs	131,000	143,842	(12,842)	-	-	-
Other support services	32,000	38,269	(6,269)	-	-	-
Student support services	352,739	365,746	(13,007)	60,523	62,540	(2,017)
Instructional staff support services	383,086	410,377	(27,291)	59,906	67,367	(7,461)
General administration support services	287,642	302,349	(14,707)	48,098	40,753	7,345
School administration support services	408,345	414,290	(5,945)	-	-	-
Business support services	102,597	102,811	(214)	-	-	-
Operation and maintenance of plant services	696,426	750,119	(53,693)	19,678	9,935	9,743
Student transportation services	197,140	279,611	(82,471)	-	815	(815)
Food services operations	14,247	14,268	(21)	431,473	435,332	(3,859)
Activity expenditures	-	110,245	(110,245)	-	-	-
Building improvements services	6,600	2,755	3,845	-	-	-
Community service operations	-	-	-	255	-	255
Debt service:						
Principal retirement	65,126	65,126	-	-	-	-
Interest and fiscal charges	8,994	8,423	571	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>6,417,958</b>	<b>6,951,673</b>	<b>(533,715)</b>	<b>958,773</b>	<b>917,008</b>	<b>41,765</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>630,027</b>	<b>775,655</b>	<b>145,628</b>	<b>(11,600)</b>	<b>(3,056)</b>	<b>8,544</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	9,016,717	9,093,113	76,396	33,234	25,434	(7,800)
Transfers out	(9,651,701)	(9,873,012)	(221,311)	(25,434)	(25,434)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(634,984)</b>	<b>(779,899)</b>	<b>(144,915)</b>	<b>7,800</b>	<b>-</b>	<b>(7,800)</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(4,957)</b>	<b>(4,244)</b>	<b>713</b>	<b>(3,800)</b>	<b>(3,056)</b>	<b>744</b>
<b>FUND BALANCES - JULY 1, 2018</b>	<b>1,306,450</b>	<b>1,390,366</b>	<b>83,916</b>	<b>61,895</b>	<b>19,183</b>	<b>(42,712)</b>
<b>FUND BALANCES - JUNE 30, 2019</b>	<b>\$ 1,301,493</b>	<b>\$ 1,386,122</b>	<b>\$ 84,629</b>	<b>\$ 58,095</b>	<b>\$ 16,127</b>	<b>\$ (41,968)</b>



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The Board of Education, a five-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 Lavaca School District (District). There are no component units.

**B. Description of Funds**

Governmental Funds – Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purpose for which they are to be used. Current liabilities are assigned to the funds from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major governmental funds as prescribed under the regulatory basis:

The *general fund* is the District's primary operating fund. It is used to account for all financial resources, except those required to be reported in another fund.

The *special revenue fund* accounts primarily for federal revenues that are legally restricted to expenditure for specific purposes and includes the operations of the District's food service program.

*Other governmental funds* as presented in the financial statements include the following:

The *capital projects fund* accounts for acquisition of fixed assets or construction of major capital projects not financed by nonexpendable trust funds.

The *debt service fund* is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Fiduciary funds – Fiduciary funds account for the assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under terms of a formal trust agreement.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the regulatory basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity.

**C. Measurement Focus and Basis of Accounting**

The financial statements are prepared in accordance with the regulatory basis of accounting (RBA). This basis of accounting is prescribed by Arkansas Code Annotated § 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, expenditure, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

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

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**C. Measurement Focus and Basis of Accounting (Continued)**

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 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.

**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 on page 21. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District 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 straight-line method over the following useful lives:

Improvements/infrastructure .....	15 – 20
Buildings .....	20 – 50
Equipment .....	5 – 20

**F. Property Taxes**

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collected 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.

The District elected to discontinue accruing or deferring property taxes, as applicable, in accordance with guidelines issued by the Arkansas Department of Education (ADE), which were effective with the 2011-2012 school years and affected the forty percent pullback. Beginning with the 2011-2012 school years, the requirement to accrue additional property tax revenue or defer collected property tax that exceeds the calculated pullback amount as determined by the ADE, Fiscal Administrative Services Division was removed. The forty percent pullback was formerly calculated in compliance with Arkansas Code Annotated 6-20-401(Code) and included in revenue the proceeds of local taxes collected by June 30 in the succeeding calendar year. If the amount collected was less than forty percent (40%) of the proceeds of the local taxes, the amount necessary to equal forty percent was required to be accrued. Act 871 of the Regular Session of 2011 amended the Code by redefining revenue receipts of a school district. The Code as amended defines revenue receipts of a school district for any fiscal year as: net cash balance on hand at the beginning of the school fiscal year, July 1; the remaining net proceeds for local taxes collected in the calendar year in which the school fiscal year started; the



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Property Taxes (Continued)**

net proceeds for all other funds accrued or placed to the credit of the district during the fiscal year from regular revenue sources, including without limitation state and federal funding.

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

**G. Interfund Receivables and Payables**

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

**H. Fund Balance Classifications**

Fund balances represent the difference between assets and liabilities and are categorized as follows:

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 externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or 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.

**I. Budget and Budgetary Accounting**

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

The District budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures and Changes in Fund Balance – 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.

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.

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**J. 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.

**K. Minimum Fund Balance Policies**

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.

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

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The 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 expenditure is 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 balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

**M. Encumbrances**

The District does not utilize encumbrance accounting.

**N. Cash and Cash Equivalents**

Cash and cash equivalents include all monies in banks and highly liquid investments with maturity dates of less than three months. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

**O. Non-monetary Transactions**

Non-monetary transactions are reflected in these financial statements at their fair value. During the fiscal year ended June 30, 2019, commodities were received by the District in the amount of \$26,980.

**P. Compensated Absences and Other Employee Benefits**

The District has a sick leave plan covering substantially all teachers and other employees. The plan meets or exceeds the minimum requirements of State law.



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**P. Compensated Absences and Other Employee Benefits (Continued)**

Under State law, the District provides substantially all teachers and non-certified employees one day of paid sick leave for each month contracted or employed. Any accumulated unused leave is carried over to the next school year until a maximum of 90 days is accumulated. Any teacher employed by the District is given credit for any accumulated unused leave earned if previously employed in another school district within the State. The maximum credit allowable under this transfer provision is limited to 90 days.

A liability for unpaid accumulated sick leave is not reported in the governmental funds since the fund liability is not incurred under the regulatory basis of accounting, until the period in which the amounts are normally expected to be liquidated.

The District established an IRC Section 125 Cafeteria Plan for the benefit of its employees. The District is the plan administrator and the assets and liabilities of this plan are included in the financial statements of the District under the governmental fund type. Through a salary reduction plan, employees are permitted to have the District pay the cost of the following benefits:

Physicals	Vision Care
Fees/Services	Dependent Care
Dental and Orthodontic Care	Hearing Expenses
Prescription Drugs	Medical Equipment
Therapy Treatments	Psychiatric Care
Assistance for the Handicapped	Miscellaneous

**NOTE 2: CASH**

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 386,065	\$ 373,231
Collateralized:		
Collateral held by the pledging bank or pledging bank's trust department in the District's name	3,711,868	3,413,208
Total Deposits	<u>\$ 4,097,933</u>	<u>\$ 3,786,439</u>

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal deposit policy for custodial risk. State law requires collateralization of all deposits with federal depository insurance; a surety bond; U.S. Treasury and U.S. agencies and instrumentalities bonds or other obligations; bonds of the State of Arkansas or by bonds of a political subdivision thereof which has never defaulted on any of its obligations, in an amount at least equal to the amount of such deposit or by bond executed by a surety company authorized to do business in the State of Arkansas. The Director of Education must approve the surety company.

**NOTE 3: 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 \$161,783 for the year ended June 30, 2019.

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 4: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 53,916	\$ 2,465
Federal assistance	-	75,526
Totals	<u>\$ 53,916</u>	<u>\$ 77,991</u>

The general fund amount is \$53,916 in facilities reimbursements from various locations in Arkansas. The special revenue fund amounts are comprised of \$24,208 for Title VI-B, \$11,715 from Title I, \$999 for Title VI-REAP, \$23,080 for food service and \$15,524 from ARMAC. The special revenue fund also had state assistance of \$2,465 for student support. There was also a receivable for \$22,425 to the other aggregate fund for the QSCB interest.

**NOTE 5: COMMITMENTS**

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

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
10/01/10	10/01/27	4.69%	\$ 1,025,000	\$ 1,025,000	\$ -
01/01/13	02/01/26	1.00-1.625%	2,600,000	1,475,000	1,125,000
11/01/15	02/01/17	2.00-4.00%	530,000	470,000	60,000
05/01/16	02/01/37	1.25-2.80%	3,645,000	3,465,000	180,000
11/01/16	02/01/37	1.00-2.70%	5,535,000	5,220,000	315,000
Totals			<u>\$ 13,335,000</u>	<u>\$ 11,655,000</u>	<u>\$ 1,680,000</u>

**Changes in long-term Debt**

	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019
Bonds Payable	\$ 12,145,000	\$ -	\$ 490,000	\$ 11,655,000
Capital leases	257,782	-	65,126	192,656
	<u>\$ 12,402,782</u>	<u>\$ -</u>	<u>\$ 555,126</u>	<u>\$ 11,847,656</u>

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 5: COMMITMENTS (CONTINUED)**

Total long-term debt principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	\$ 495,000	\$ 278,728	\$ 773,728
2021	500,000	272,185	772,185
2022	505,000	265,270	770,270
2023	520,000	257,595	777,595
2024	530,000	249,270	779,270
2024-2028	3,825,000	1,026,490	4,851,490
2029-2033	3,160,000	533,824	3,693,824
2034-2037	2,120,000	117,861	2,237,861
Total	<u>\$ 11,655,000</u>	<u>\$ 3,001,223</u>	<u>\$ 14,656,223</u>

**Capital Leases**

The District has executed the following capital leases:

Class of Property	Asset Balance June 30, 2019
Transportation equipment	\$ 255,236
School sites	2,546
Total	<u>\$ 257,782</u>

  

	June 30, 2019
Total Minimum Lease Payments	\$ 192,656
Less: Amount Representing Interest	(11,893)
Total Present Value of Net Minimum Lease Payments	<u>\$ 180,763</u>

**Security for Debt Payments**

Ark. Code Ann. Section 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.

**Pledged Revenues**

The District has pledged a portion of its property taxes to retire bonds issued October 1, 2010, January 1, 2013, November 1, 2015, May 1, 2016 and November 1, 2016. The bonds were issued for various capital projects and refunding of previous bonds. Total principal and interest remaining on the bonds is \$14,656,223, payable through February 2037. Principal and interest paid for the current year and total property taxes pledged for debt service were \$490,000 and \$1,073,681 respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 46%.



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 6: ACCOUNTS PAYABLE**

The accounts payable balance of \$42,601 at June 30, 2019, was comprised of the following:

Governmental Funds					
Description	General	Special Revenue	Other Aggregate	Fiduciary Funds	Total
Vendor payables	\$ 20,036	\$ 19,735	\$ -	\$ 2,830	\$ 42,601
	\$ 20,036	\$ 19,735	\$ -	\$ 2,830	\$ 42,601

**NOTE 7: INTERFUND TRANSFERS**

The District transferred a net of \$779,899 from the general fund to the Other Aggregate Fund respectively.

**NOTE 8: RETIREMENT PLANS**

**Arkansas Teacher Retirement System**

**Plan Description.** The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

**Funding Policy.** ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 14%. The District's contributions to ATRS for the years ended June 30, 2019, 2018 and 2017, were \$621,803, \$626,559 and \$617,873, respectively, equal to the required contributions for each year.

**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 pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$5,647,297.

**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 nonteaching Arkansas public school employees hired before July 1, 1989. APER provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 8: RETIREMENT PLANS (CONTINUED)**

and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377.

**Funding Policy.** PERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4% of annual covered payroll. The District's contributions to PERS for the years ended June 30, 2019, 2018 and 2017, were \$0, \$0, and \$0, respectively, equal to the required contributions for each year.

**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 pension liability. The District's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$.

**NOTE 9: RISK MANAGEMENT**

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

The District carries commercial insurance for board liability and student accidents. Settled claims have not exceeded this commercial coverage in any of the past three years. There were no significant reductions in insurance coverage from prior year in the major categories of risk.

The District participates in the Arkansas School Board 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 buildings and contents coverage.

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. The 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 \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

The District participates in the Public School Vehicle Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The general objective of the program is to allow member districts a means of insuring vehicles. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for this coverage.

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 10: ENDOWMENTS**

The District is the recipient of an endowment, the donor of which has stipulated that the principal is to remain intact and only the investment earnings shall be used for the specified purpose in the gift document. The endowment balance at June 30, 2019, was \$1,800 and was comprised of investments.

**NOTE 11: CONTINGENCIES**

The District has received federal and state assistance in the form of grants and entitlements that are subject to review and audit by the grantor agencies. Such audits could result in requests for reimbursement by the grantor agencies for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of the District's management such disallowance, if any, will not be significant.

**NOTE 12: SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 20, 2019, the date the financial statements were available to be issued.



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**NOTE 13: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS**

Description	Governmental Funds		
	Major	Special	Other Aggregate
	General	Revenue	
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Deposit with paying agent			\$ 489,523
			<u>489,523</u>
<b>Restricted for:</b>			
Capital projects	-	-	1,926,892
Child nutrition programs	-	\$ 8,051	-
Rural & Low Income Sch	-	1,737	-
Elem. Mini Career Grant	-	206	-
HS Career Mini Grant	-	6,133	-
CPEP	\$ 710	-	-
ABC Private pay	129,581	-	-
Arkansas Fish and Game	1,337	-	-
Special Ed Coop	21,860	-	-
Declining Enrollment	54,553	-	-
District With High Grades	6,621	-	-
Game and Fish Conservation	238	-	-
Sped Catastrophic Loss	168	-	-
Advance placement funds	1,891	-	-
English Language Learning	2,655	-	-
National School Lunch	356	-	-
Distance learning	231	-	-
Joint use agreement	23	-	-
Wellness Grant	10,000	-	-
	<u>230,224</u>	<u>16,127</u>	<u>1,926,892</u>
<b>Assigned to:</b>			
Student activities	82,336		
	<u>82,336</u>		
<b>Unassigned</b>	<u>1,073,562</u>		
<b>Totals</b>	<u>\$ 1,386,122</u>	<u>\$ 16,127</u>	<u>\$ 2,416,415</u>

## **SUPPLEMENTARY INFORMATION**

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Unaudited)**

	<b>Balance June 30, 2019</b>
<b>Nondepreciable Capital Assets:</b>	
Land	\$ 400,440
<b>Total Nondepreciable Capital Assets</b>	<b>400,440</b>
 <b>Depreciable Capital Assets:</b>	
Buildings	19,214,457
Improvements	1,254,253
Machinery and Equipment	2,380,756
<b>Total Depreciable Capital Assets</b>	<b>22,849,466</b>
 <b>Total Capital Assets</b>	 <b>23,249,906</b>
 <b>Less Accumulated Depreciation for:</b>	
Buildings	6,143,829
Improvements	710,550
Machinery and Equipment	1,662,083
<b>Total Accumulated Depreciation</b>	<b>8,516,462</b>
 <b>Capital Assets, net</b>	 <b>\$ 14,733,444</b>



LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

FEDERAL GRANTOR/ PASS THROUGH GRANTOR/ PROGRAM OR CLUSTER TITLE	FEDERAL CFDA NUMBER	FEDERAL EXPENDITURES
<b>U.S. DEPARTMENT OF EDUCATION</b>		
<i>Passed through State Department of Education:</i>		
ESEA Title I Regular - Comp Education	84.010	\$ 247,155
IDEA Title VI-B Rural Education	84.027	167,059
Title RLIS - Rural and Low Income School Program (REAP)	84.358B	9,058
Improving Teacher Quality Grant, Title II, Part A	84.367	25,434
Student Support and Academic Enrichment Grants	84.424A	12,675
<b>TOTAL U.S. DEPARTMENT OF EDUCATION</b>		<u>461,381</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
<i>Passed through State Department of Education:</i>		
Medical Admin. Claiming	93.778	34,923
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		<u>34,923</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
<i>Passed through State Department of Education:</i>		
Child Nutrition Cluster		
National School Lunch Program - cash assistance	10.555	209,055
National School Breakfast Program - cash assistance	10.553	95,489
<i>Passed through State Department of Human Services:</i>		
USDA Commodity Distribution Program (Note 2)	10.565	21,981
Fresh Fruits and Vegetables Program (Note 2)	10.582	4,999
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>		<u>331,524</u>
<b>TOTAL FEDERAL AWARDS</b>		<u>\$ 827,828</u>

Notes to the Schedule of Expenditures of Federal Awards

**Note 1:** Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Lavaca School District No. 3 (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* Part 200, *Uniform Administrative Requirements*. Because this 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.

Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditure 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. The School has not elected to use the 10 percent de minimis indirect cost rate as

**Note 2:** allowed under the Uniform Guidance.

**Note 3:** Nonmonetary assistance is reported at the approximate value as reported by the State Department of Human Services.

**Note 4:** During the year ended June 30, 2019, the District received Medicaid funding of \$10,803 from the State Department of Human Services. Such payments are not considered to be Federal awards expenditures, and therefore, are not included in the above schedule.

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF STATE AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019**

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<b>Program Grantor Program Title</b>	<b><u>State Revenues</u></b>	<b><u>State Expenditures</u></b>
<b>Arkansas Department of Education Arkansas Better Chance</b>	<b><u>\$ 267,277</u></b>	<b><u>\$ 267,277</u></b>

Notes to the Schedule of Expenditures of State Awards

**Note 1:** Basis of Presentation - This Schedule of Expenditures of State Awards includes the state program activity of Lavaca School District No. 3 and is presented on the regulatory basis of accounting.

**LAVACA SCHOOL DISTRICT NO. 03**  
**SEBASTIAN COUNTY, ARKANSAS**  
**SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS-REGULATORY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Unaudited)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<b><u>General Fund</u></b>					
Total Assets	\$ 1,406,158	\$ 1,411,828	\$ 1,422,010	\$ 1,419,408	\$ 1,392,604
Total Liabilities	20,036	21,462	26,007	22,696	23,030
Total Fund Balance	1,386,122	1,390,366	1,396,003	1,396,712	1,369,574
Total Revenue	7,727,328	7,945,639	7,824,386	8,094,798	7,759,755
Total Expenditures	6,951,673	7,004,737	7,173,572	6,897,839	6,791,098
Total Other Financing Sources (Uses)	(779,899)	(946,539)	(651,523)	(1,169,821)	(930,058)
<b><u>Special Revenue Fund</u></b>					
Total Assets	77,991	52,129	44,430	24,579	112,535
Total Liabilities	61,864	32,946	37,992	15,571	49,167
Total Fund Balance	16,127	19,183	6,438	9,008	63,368
Total Revenue	913,952	881,445	1,508,678	841,079	841,322
Total Expenditures	917,008	868,700	1,512,582	89,439	867,829
Total Other Financing Sources (Uses)	-	-	1,334	-	19,594
<b><u>Other Aggregate Fund</u></b>					
Total Assets	2,416,415	2,605,545	2,562,996	6,214,360	1,560,196
Total Liabilities	-	-	-	-	2,925
Total Fund Balance	2,416,415	2,605,545	2,562,996	6,214,360	1,557,271
Total Revenue	55,855	53,864	55,036	58,189	54,339
Total Expenditures	1,024,884	957,854	9,777,189	627,059	528,900
Total Other Financing Sources (Uses)	\$ 779,899	\$ 946,539	\$ 6,070,789	\$ 5,225,959	\$ 910,464



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
SUPPLEMENTAL DATA SHEET  
FOR THE YEAR ENDED JUNE 30, 2019**

Name and address:	Lavaca School District No. 3 203 Fir Street Lavaca, Arkansas 72941
Employer Identification Number:	71-6021013
Telephone Number:	(479) 674-5611
Superintendent:	Mr. Steve Rose
Contact Person:	Mr. Steve Rose

**OTHER INFORMATION**

School Locations	Lavaca Elementary Lavaca Middle School Lavaca High School
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## **OTHER REPORTS**

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
FINDINGS AND QUESTIONED COSTS  
SUMMARY OF AUDITOR'S RESULTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Financial Statements**

Types of auditors' reports issued:	GAAP basis of reporting – adverse Regulatory basis of reporting – unmodified
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Internal control over financial reporting:

- |   |                |
|---|----------------|
| • Material weakness(es) identified?       | None reported. |
| • Significant deficiency(ies) identified? | None reported. |

Noncompliance material to financial statements noted?	No
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**Federal Awards**

Internal control over major programs:

- |  |                |
|--|----------------|
| • Material weakness(es) identified?  | No             |
| • Significant deficiencies identified that are not considered to be material weakness(es)? | None reported. |

Type of auditor's report issued on compliance for major programs:	Unmodified
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Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance?	No
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Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Programs or Cluster</u>
10.555, 10.553 & 10.565	Child Nutrition Cluster

Dollar threshold used to distinguish Between Type A and Type B programs:	<u>\$ 750,000</u>
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Auditee qualified as low-risk auditee?	No
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**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
FINDINGS AND QUESTIONED COSTS  
IN ACCORDANCE WITH GAGAS  
FOR THE YEAR ENDED JUNE 30, 2019**

No findings or questioned costs noted.



**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS –  
FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Federal Award Programs**

No findings or questioned costs noted

**LAVACA SCHOOL DISTRICT NO. 3  
SEBASTIAN COUNTY, ARKANSAS  
FEDERAL AWARD PROGRAMS  
STATUS OF PRIOR YEAR AUDIT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2019**

**Federal Award Programs**

There were no findings in the prior audit.

Cliff Hubbs, CPA

Kenny Whitehead, CPA

1111 Fayetteville Road  
Van Buren, AR 72956  
Ph: (479) 474-3454  
Fax: (479) 474-7165  
handwcpas.com

**Hubbs & Whitehead, CPAs**  
Certified Public Accountants



**Independent Auditors' Report on Compliance  
With Arkansas State Requirements**

**The School Board  
Lavaca School District No. 3  
Lavaca, Arkansas**

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

We have examined management's assertions, included in its representation letter dated **December 20, 2019**, that **Lavaca School District No. 3** complied with the requirements of Arkansas Code Annotated §6-1-101 and applicable laws and regulations listed on Arkansas Department of Education form OCI 95-96 during the year ended **June 30, 2019**. As discussed in that representation letter, management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

**Opinion on Each Major Federal Program**

In our opinion, management's assertions that **Lavaca School District No. 3** complied with the aforementioned requirements for the year ended **June 30, 2019**, are fairly stated, in all material respects.

**Other Matters**

This report is intended solely for the information and use of the governing body, management of **Lavaca School District No. 3** and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

**Hubbs & Whitehead CPAs, p.a.  
Certified Public Accountants**

**Van Buren, Arkansas  
December 20, 2019**

**Member of:**

\*American Institute of Certified Public Accountants  
\*Governmental Audit Quality Center

\*Arkansas Society of Certified Public Accountants  
\*Employee Benefit Plan Audit Quality Center

\*Oklahoma Society of Certified Public Accountants

**LAVACA SCHOOL DISTRICT NO. 3**  
**SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO**  
**BE ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE**  
**FOR THE YEAR ENDED JUNE 30, 2019**

<u>Description</u>	<u>Statutes</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt. District School Bonds	6-20-1201; 6-20-1208; 6-20-1210; 6-20-409
• Petty Cash	6-20-401
• Investment of Funds	
• Changes in Pullback (no deferrals – Declining accrual percentages)	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et seq.
• District Treasurer	6-13-701
o Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws - Classified	6-17-2201 et seq.; 6-17-2301 et seq.
Salary increases 5% or more (certified & classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et seq., 6-17-2301
• Employment & Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Educational Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee benefits Division, on-behalf of District's employees.
Regulatory Basis of Accounting	10-4-413(c) (Act 867 of 2019)



**LAVACA SCHOOL DISTRICT NO. 3  
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO  
BE ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR THE YEAR ENDED JUNE 30, 2019**

<b><u>Description</u></b>	<b><u>Statutes</u></b>
Real Estate and Personal Property Tax Appeals	26-35-802 (Act 657 of 2019)
Arkansas Procurement Law	19-11-1901 et Seq.
Fiscal Accountability	6-20-1901, et Seq. (Act 929 of 2019)
Limitations on Fund Balances	6-20-2210