



KIPP:DELTA

PUBLIC SCHOOLS

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

JUNE 30, 2021

with

INDEPENDENT AUDITOR'S REPORT



CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1 - 3
Financial Statements:	
Balance sheet - Regulatory Basis	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Regulatory Basis	5
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget to Actual - General and Special Revenue Funds - Regulatory Basis	6
Notes to Financial Statements	7 - 15
Other Reports and Supplementary Information:	
Schedule of Capital Assets	16
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 <i>Government</i> <i>Auditing Standards</i>	17 - 18
Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance	19 - 21
Schedule of Expenditures of Federal Awards	22 - 23
Schedule of State Assistance	24
Schedule of Findings and Questioned Costs	25 - 30
Independent Auditor's Report on Compliance with Arkansas State Requirements	31
Schedule of Statutes Required by Arkansas Department of Education to be Addressed in Independent Auditor's Report on Compliance	32 - 33
Supplemental Data Sheet as Required by Arkansas Department of Human Services Audit Guidelines	34

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, 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 KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School") as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School'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 financial reporting prescribed or permitted by the Arkansas Code Ann. § 10-4-413(c) as provided in Act 867 of 2019, which is more fully described in Note 1, to meet the requirements of the State of Arkansas. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 entity'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 entity'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 more fully 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 School on the basis of the financial reporting provisions of Ark. Code Ann. §10-4-413(c) as provided in Act 867 of 2019, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statements referred to in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the School as of June 30, 2021, or the respective changes in financial position for the year then ended. Further, the School has not presented a management’s discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to in the first paragraph 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 School, as of June 30, 2021, and the respective regulatory changes in financial position and regulatory 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 867 of 2019, 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 School’s regulatory basis financial statements. The schedule of expenditures of federal awards as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, schedule of capital assets, schedule of state assistance and the supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements.

The schedule of expenditures of federal awards, schedule of capital assets, and schedule of state assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards, schedule of capital assets, and schedule of state assistance are fairly stated in all material respects in relation to the regulatory basis financial statements taken as a whole.

The supplemental data sheet is required by Arkansas Department of Human Services Audit Guidelines has 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 it.

To the Board of Directors
Page Three

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 19, 2022, on our consideration of the School's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 School's internal control over financial reporting and compliance.

HCS CPAs & Advisors PLLC

Little Rock, Arkansas
July 19, 2022

FINANCIAL STATEMENTS

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2021

	Governmental Funds		
	Major		Capital Projects
	General	Special Revenue	
ASSETS			
Cash and Cash Equivalents	\$ 3,025,189	\$ 98,676	\$ 644,632
Accounts Receivable	83,521	512,264	49,854
Pledges Receivable	300,000	-	-
Due from Other Funds	549,927	11,250	-
	<u>\$ 3,958,637</u>	<u>\$ 622,190</u>	<u>\$ 694,486</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts Payable	\$ 177,184	\$ 46,961	\$ 16,658
Accrued Payroll Liabilities	9,076	-	-
Due to Other Funds	11,250	428,702	121,225
	<u>197,510</u>	<u>475,663</u>	<u>137,883</u>
Total Liabilities	197,510	475,663	137,883
Fund Balances:			
Restricted:			
State Programs	1,068,146	-	-
Federal Programs	-	146,527	-
Capital Projects	-	-	556,603
Other	263,557	-	-
Assigned	183,425	-	-
Unassigned	2,245,999	-	-
	<u>3,761,127</u>	<u>146,527</u>	<u>556,603</u>
Total Fund Balances	<u>\$ 3,958,637</u>	<u>\$ 622,190</u>	<u>\$ 694,486</u>

See accompanying notes.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

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

YEAR ENDED JUNE 30, 2021

	Major		
	General	Special Revenue	Capital Projects
REVENUES			
State Assistance	\$ 11,102,850	\$ 7,034	\$ 585,497
Federal Assistance	-	4,445,193	-
Contributions	1,353,112	3,000	-
Activity Revenues	31,722	-	-
Tuition	1,000	-	-
Earnings on Investments	5,535	-	-
Other Revenues	364,496	68,845	-
	<u>12,858,715</u>	<u>4,524,072</u>	<u>585,497</u>
EXPENDITURES			
Current:			
Regular Programs	3,849,491	436,689	-
Special Education	280,302	263,427	-
Compensatory Education	602,052	1,839,119	-
Other Instructional Services	2,263	-	-
Student Support Services	1,173,562	95,070	-
Instructional Staff Support Services	1,168,712	555,650	-
General Administration Support Services	791,792	273,395	-
School Administration Support Services	1,492,496	1,195	-
Business Support Services	1,038,240	-	-
Operation and Maintenance of Plant Services	1,309,657	21,738	585,497
Student Transportations Services	723,761	8,007	-
Other Support Services	24,560	-	-
Food Services Operations	65,332	889,575	-
Community Services Operations	-	1,894	-
Other	16,626	94,987	-
Capital Outlay	333,917	4,021	19,163
Debt Service:			
Principal Retirement of Debt and Capital Leases	560,797	-	-
Interest and Fiscal Charges	444,893	-	-
	<u>13,878,453</u>	<u>4,484,767</u>	<u>604,660</u>
(Deficiency) Excess of Revenue Over Expenditures	(1,019,738)	39,305	(19,163)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Debt	-	-	199,202
Transfers, Net	277,636	-	(277,636)
Total Other Financing Sources (Uses)	<u>277,636</u>	<u>-</u>	<u>(78,434)</u>
Net Change in Fund Balances	(742,102)	39,305	(97,597)
Fund Balance - Beginning	<u>4,503,229</u>	<u>107,222</u>	<u>654,200</u>
Fund Balance - Ending	<u>\$ 3,761,127</u>	<u>\$ 146,527</u>	<u>\$ 556,603</u>

See accompanying notes.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

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

YEAR ENDED JUNE 30, 2021

	General		
	Budget	Actual	Variance
REVENUES			
State Assistance	\$ 11,059,488	\$ 11,102,850	\$ 43,362
Federal Assistance	-	-	-
Contributions	1,988,859	1,353,112	(635,747)
Activity Revenues	87,539	31,722	(55,817)
Tuition	2,000	1,000	(1,000)
Earnings on Investments	6,600	5,535	(1,065)
Other Revenues	340,786	364,496	23,710
	<u>13,485,272</u>	<u>12,858,715</u>	<u>(626,557)</u>
EXPENDITURES			
Current:			
Regular Programs	4,221,172	3,849,491	371,681
Special Education	301,267	280,302	20,965
Compensatory Education	840,034	602,052	237,982
Other Instructional Services	11,426	2,263	9,163
Student Support Services	1,361,859	1,173,562	188,297
Instructional Staff Support Services	1,157,062	1,168,712	(11,650)
General Administration Support Services	614,664	791,792	(177,128)
School Administration Support Services	1,623,634	1,492,496	131,138
Business Support Services	1,301,565	1,038,240	263,325
Operation and Maintenance of Plant Services	1,554,546	1,309,657	244,889
Student Transportations Services	1,119,506	723,761	395,745
Other Support Services	51,600	24,560	27,040
Food Services Operations	-	65,332	(65,332)
Community Services Operations	-	-	-
Other	16,626	16,626	-
Capital Outlay	82,510	333,917	(251,407)
Debt Service:			
Principal Retirement of Debt and Capital Leases	460,508	560,797	(100,289)
Interest and fiscal charges	468,917	444,893	24,024
	<u>15,186,896</u>	<u>13,878,453</u>	<u>1,308,443</u>
(Deficiency) Excess of Revenues Over			
Expenditures	(1,701,624)	(1,019,738)	681,886
OTHER FINANCING SOURCES			
Transfers, Net	-	277,636	277,636
Total Other Financing Sources	-	277,636	277,636
Net Change in Fund Balances	<u>\$ (1,701,624)</u>	<u>\$ (742,102)</u>	<u>\$ 959,522</u>

See accompanying notes.

Special Revenue		
Budget	Actual	Variance
\$ -	\$ 7,034	\$ 7,034
7,391,242	4,445,193	(2,946,049)
-	3,000	3,000
-	-	-
-	-	-
-	-	-
10,473	68,845	58,372
7,401,715	4,524,072	(2,877,643)
930,815	436,689	494,126
355,942	263,427	92,515
2,395,001	1,839,119	555,882
-	-	-
219,925	95,070	124,855
718,878	555,650	163,228
831,768	273,395	558,373
1,195	1,195	-
-	-	-
141,643	21,738	119,905
7,060	8,007	(947)
-	-	-
1,441,732	889,575	552,157
1,894	1,894	-
108,640	94,987	13,653
33,816	4,021	29,795
-	-	-
-	-	-
7,188,309	4,484,767	2,703,542
213,406	39,305	(174,101)
-	-	-
-	-	-
\$ 213,406	\$ 39,305	\$ (174,101)

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Board of Directors is the level of government which has responsibilities over all activities of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School"). The School's financial statements reflect all funds and accounts directly under the control of the School.

Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

1. **General Fund** - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.
2. **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 School's food services operations. The Special Revenue Fund also includes transfers from the general fund to supplement such programs.

Other governmental funds consist of the following:

3. **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.

Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Ark. Code Ann. 10-4-413 (c), as provided in Act 867 of 2019, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires the following major concepts: 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, 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.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 capital leases are reported as other financing sources.

Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

Capital Assets

Information on capital assets and related depreciation is reported on the schedule of capital assets in the supplemental information. 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 School maintains a threshold level of \$1,000 and a useful life in excess of two years for capitalizing equipment.

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

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/Infrastructure	5-40
Buildings	40
Furniture and Equipment	3-15

Income Taxes

The School is exempt from income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code and comparable provisions of state income tax laws. The previous three years of federal tax returns, along with the current year return, are subject to potential examination by taxing authorities.

Fund Balance Classifications

Fund balance is reported under the following five classifications:

1. **Nonspendable Fund Balance** - includes amounts that are not in a spendable form or are required to be maintained intact. The School does not have any nonspendable fund balance at year end.
2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The fund balance that is restricted for state programs and federal programs reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The fund balance that is restricted for capital projects reflects amounts that are restricted for construction or other capital outlay projects. The fund balance that is restricted for other purposes includes donated funds in which the funds have been restricted by the donor for specific uses.
3. **Committed Fund Balance** - includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority (the Board of Directors) and does not lapse at year end. The School does not have any committed fund balance at year end.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

4. **Assigned Fund Balance** - includes amounts intended for a specific purpose by the Board of Directors or by a School official that has been delegated authority to assign amounts. The assigned fund balance at year end represents funds that are intended for debt service payments.
5. **Unassigned Fund Balance** - includes any remaining fund balance that has not been reported in any other classification. This classification can also include negative amounts in other governmental funds if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

The School'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 School'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 School does not have a policy addressing whether it considers restricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. School 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 School does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. For the purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance.

Pledges Receivable

An allowance for uncollectible pledges receivable is provided based upon management's judgment of potential defaults. The determination includes such factors as prior collection history, type of contribution and nature of fund-raising activity. Pledges not expected to be collected within one year are discounted if such discount is considered to be significant. Management did not feel that an allowance for uncollectible pledges was required for the year ended June 30, 2021. Conditional promises to give are not included as support until the conditions are substantially met.

Budget and Budgetary Accounting

The School is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The School prepares and amends the budget throughout the fiscal year which is reviewed and approved by the Board. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the schools employ the cash basis method.

The School 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 to 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 School 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.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Interfund Receivables and Payables

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

Stabilization Arrangements

The School's Board of Directors has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

Minimum Fund Balance Policies

The School's Board of Directors has not formally adopted a minimum fund balance policy.

Encumbrances

The School does not utilize encumbrance accounting.

Subsequent Events

The School has evaluated all subsequent events for potential recognition and disclosure through July 19, 2022, the date these financial statements were available to be issued.

Note 2: Cash Deposits with Financial Institutions

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

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized by Letter of Credit issued by the Federal Home Loan Bank	<u>3,518,497</u>	<u>3,845,067</u>
Total Deposits	<u>\$ 3,768,497</u>	<u>\$ 4,095,067</u>

Note 3: Accounts Receivable

The accounts receivable balance of \$675,340 is comprised of the following at June 30, 2021:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Due from Other Governments	\$ -	\$ 512,264	\$ 49,854	\$ 562,118
Other	<u>113,222</u>	<u>-</u>	<u>-</u>	<u>113,222</u>
Total	<u>\$ 113,222</u>	<u>\$ 512,264</u>	<u>\$ 49,854</u>	<u>\$ 675,340</u>

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 4: Pledges Receivable

Pledges receivable of \$300,000 at June 30, 2021, are attributable to one donor, for which no reserve has been provided.

Scheduled maturities of pledges receivable are as follows:

2022	\$ 150,000
2023	75,000
2024	<u>75,000</u>
	<u>\$ 300,000</u>

Note 5: Accounts Payable

The accounts payable balance of \$270,504 is comprised of the following at June 30, 2021:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Vendor Payables	\$ 206,885	\$ 46,961	\$ 16,658	\$ 270,504

Note 6: Commitments

The School was contractually obligated for the following at June 30, 2021:

Notes Payable Issued and Outstanding

Changes in notes payable:

<u>Description</u>	<u>Balance at July 1, 2020</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance at June 30, 2021</u>
Arvest Bank ⁽¹⁾	\$ 2,237,200	\$ -	\$ 126,250	\$ 2,110,950
Charter School Growth Fund ⁽²⁾	300,000	-	-	300,000
USDA loan ⁽³⁾	9,496,355	199,202	239,549	9,456,008
Arvest Bank ⁽⁴⁾	122,713	-	53,279	69,434
Heartland Renaissance Fund ⁽⁵⁾	1,153,747	-	96,222	1,057,525
Southern Bancorp Bank ⁽⁶⁾	<u>1,776,100</u>	<u>-</u>	<u>1,776,100</u>	<u>-</u>
	<u>\$ 15,086,115</u>	<u>\$ 199,202</u>	<u>\$ 2,291,400</u>	<u>\$ 12,993,917</u>

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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

Year Ended June 30	Principal	Interest	Total
2022	\$ 636,711	\$ 422,580	\$ 1,059,291
2023	613,808	400,737	1,014,545
2024	620,365	462,834	1,083,199
2025	542,579	358,457	901,036
2026	565,130	335,906	901,036
2027-2031	2,960,761	1,277,150	4,237,911
2032-2036	2,060,014	816,193	2,876,207
2037-2041	1,945,486	560,054	2,505,540
2042-2046	2,232,031	273,509	2,505,540
2047-2051	<u>817,032</u>	<u>59,907</u>	<u>876,939</u>
Total	<u>\$ 12,993,917</u>	<u>\$ 4,967,327</u>	<u>\$17,961,244</u>

- 1) Construction loan with Arvest Bank up to \$3,000,000 secured by certain real estate and guaranteed by USDA. The proceeds of the loan are to be used for the construction of facilities. The loan matures in December 2032 and has a fixed interest rate of 5.39%.
- 2) Unsecured loan with the non-profit organization Charter School Growth Fund for a total of \$1,000,000. The loan matures in June 2024 and has a fixed interest rate of 1.00%. The proceeds of the loan are to be used for the general support of the organization. In July 2014, an agreement was reached to forgive \$250,000 of this loan effective June 1, 2014, and \$250,000 effective August 31, 2014.
- 3) Loan guaranteed by the USDA Rural Development for a total of \$9,990,000 and secured by certain real estate. The loan was issued in March 2018 and is financed by USDA. As of June 30, 2021, the full \$9,990,000 has been drawn down on the loan. This loan consists of refinanced loans for construction-related expenses. The loan matures March 2048 and has a fixed interest rate of 2.75%.
- 4) Loan with Arvest Bank for a total of \$210,592, secured by certain equipment. The loan has a fixed interest rate of 5.05% and matures in September 2022.
- 5) Loan with Heartland Renaissance Fund Sub XXVII, LLC for a total of \$1,200,000, secured by certain real property. The loan has a fixed interest rate of 5.25% and matures in December 2026.
- 6) On April 14, 2020, the School was granted a loan from Southern Bancorp Bank in the amount of \$2,091,100, pursuant to the Paycheck Protection Program (the "PPP") under division A, Title I of the CARES Act, which was enacted March 27, 2020. The School elected to return \$315,000 of the PPP loan during 2020. As of June 30, 2021, the School has used the entire remaining loan proceeds for payroll, rent, utilities, and other eligible expenses and the full balance of the loan agreement has been forgiven by the SBA as of August 6, 2021.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

Note 7: Capital Leases

The School has four capital leases for copiers at year-end and two such leases that expired during the year. Rent expense for these leases totaled \$47,998 for 2021. The School's capital leases will expire between November 2021 and September 2025 and have monthly payments ranging from \$219 - \$2,259, with imputed interest rates ranging from 4.00% - 5.25%. The property held under the capital leases consisted of equipment with total cost of \$203,437 and accumulated depreciation of \$80,930 as of June 30, 2021.

Future capital lease obligations at June 30, 2021 are as follows:

2022	\$ 44,686
2023	3,883
2024	2,520
2025	2,520
2026	696
Total minimum lease payments	54,305
Interest	(2,082)
	<u>\$ 52,223</u>

Note 8: Operating Leases

The School leases office facilities and equipment under various operating leases. Rent expense for these leases totaled \$55,168 for 2021. Future minimum lease payments at June 30, 2021 are as follows:

2022	\$ 59,815
2023	38,713
2024	28,668
2025	2,968
Total	<u>\$ 130,164</u>

Note 9: Retirement Plans

Arkansas Teacher Retirement System

Plan description: The School 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, or by visiting the ATRS website at www.atrs.gov.

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 6.50% 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 14.50%. The School's contributions to ATRS for the years ended June 30, 2021, 2020, and 2019 were \$1,432,399, \$1,290,171 and \$1,244,357, respectively, equal to the required contributions each year.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2021

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 School's proportionate share of the collective net pension liability. The School's proportionate share of the collective net pension liability at June 30, 2020 (actuarial valuation date and measurement date) was \$16,408,972.

Note 10: Fund Raising Expenses

The School uses fund raising to encourage donations within the community. The costs of fund raising activities are expensed as incurred. During 2021, fund raising costs totaled \$56,059.

Note 11: Interfund Transfers

The following details the transfers between governmental funds for operating purposes:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total</u>
Transfers in	\$ 13,305,835	\$ -	\$ 10,277	\$ 13,316,112
Transfers out	<u>(13,028,199)</u>	<u>-</u>	<u>(287,913)</u>	<u>(13,316,112)</u>
	<u>\$ 277,636</u>	<u>\$ -</u>	<u>\$ (277,636)</u>	<u>\$ -</u>

Note 12: Significant Concentration

The School is economically dependent on funding received through state awards, federal awards, and private donations. Approximately 65%, 25%, and 8% of total revenues were from state sources, federal sources and private donations, respectively, during the year ended June 30, 2021.

Note 13: Contingencies

The School participates in federally assisted grant programs. The School is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

The School participates in the Arkansas Fidelity Bond Trust Fund administered by the Arkansas 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.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

Note 14: On-Behalf Payments

During the year ended June 30, 2021, health insurance premiums of \$282,390 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of School employees.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF CAPITAL ASSETS

YEAR ENDED JUNE 30, 2021

	<u>Balance July 1, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Depreciable Capital Assets:				
Building and Improvements	\$ 22,827,331	\$ 323,251	\$ -	\$ 23,150,582
Furniture and Equipment	<u>4,380,200</u>	<u>33,852</u>	<u>-</u>	<u>4,414,052</u>
Total Depreciable Capital Assets	27,207,531	357,103	-	27,564,634
Nondepreciable Capital Assets:				
Land	<u>945,105</u>	<u>-</u>	<u>-</u>	<u>945,105</u>
Total Nondepreciable Capital Assets	<u>945,105</u>	<u>-</u>	<u>-</u>	<u>945,105</u>
Total Capital Assets	28,152,636	357,103	-	28,509,739
Less Accumulated Depreciation for:				
Building and Improvements	5,528,292	738,633	-	6,266,925
Furniture and Equipment	<u>3,467,076</u>	<u>201,739</u>	<u>-</u>	<u>3,668,815</u>
Total Accumulated Depreciation	<u>8,995,368</u>	<u>940,372</u>	<u>-</u>	<u>9,935,740</u>
Capital Assets, Net	<u>\$ 19,157,268</u>	<u>\$ (583,269)</u>	<u>\$ -</u>	<u>\$ 18,573,999</u>

**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***

To the Board of Directors
KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, Arkansas

We have audited, 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, the financial statements of each major governmental fund and the aggregate remaining fund information of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's regulatory basis financial statements, and have issued our report thereon dated July 19, 2022.

We issued an adverse opinion because the School prepared the financial statements in conformity with accounting practices prescribed or permitted by the Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the School as of June 30, 2021, and the respective changes in financial position thereof, and the budgetary results 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 financial statements, we considered the School's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School'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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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.

To the Board of Directors
Page Two

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 School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statement. 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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCJ CPAs & Advisors PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
July 19, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, Arkansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2021. The School'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 School'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 School'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 on the School's compliance.

Opinion on Each Major Federal Program

In our opinion, KIPP Delta, Inc. d/b/a KIPP Delta Public Schools 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, 2021.

To the Board of Directors
Page Two

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2020-001 – 2021-005. Our opinion on each major federal program is not modified with respect to these matters.

The School's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the School 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 School'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 School'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2021-001 - 2021-005 that we consider to be significant deficiencies.

To the Board of Directors
Page Three

The School's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

HCJ CPAs & Advisors PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
July 19, 2022

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2021

Federal Grant/Pass-Through Grantor/Program Title	Pass through Entity Identifying Number	Federal Assistance Listing Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	54407	10.553	\$ 197,018
Performance Based Reimbursement from Child Nutrition	54407	10.555	6,293
National School Lunch Program - Cash Assistance	54407	10.555	317,325
Total Arkansas Department of Education			520,636
Passed through Arkansas Department of Human Services:			
National School Lunch Program - Non-Cash Assistance	54407	10.555	51,938
Total Child Nutrition Cluster			572,574
SPECIAL EDUCATION CLUSTER			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title VI, Part B - Special Education Grants to States	54407	84.027	276,479
Special Education Preschool Grants	54407	84.173	22,860
Total Special Education Cluster			299,339
OTHER PROGRAMS:			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title I, Part A - Grants to Local Education Agencies	54407	84.010	2,394,067
Title II, Part A - Improving Teacher Quality State Grants	54407	84.367	123,526
Rural and Low Income School Program	54407	84.358B	21,951
AR Comprehensive State Literacy Development Grant	54407	84.371	65,000
COVID-19 Education Stabilization Fund - ESSER I	54407	84.425D	667,520
COVID-19 Education Stabilization Fund - ESSER II	54407	84.425D	10,292
Total U.S. Department of Education (Other Programs)			3,282,356
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
Child and Adult Care Food Program	54407	10.558	62,907
Fresh Fruit and Vegetable Program	54407	10.582	37,893
Total U.S. Department of Agriculture (Other Programs)			100,800
<u>U.S. Department of the Treasury</u>			
Passed through Arkansas Department of Education:			
COVID-19 Coronavirus Relief Fund	54407	21.019	40,574
Total Other Programs			3,423,730
Total Expenditures of Federal Awards			\$ 4,295,643

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

YEAR ENDED JUNE 30, 2021

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. This schedule includes the federal awards activity of the School and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The School did not elect to use the 10% de minimis indirect cost rate but instead used an indirect cost rate approved by the Arkansas Department of Education.
2. Medicaid reimbursements are defined as contracts for services and not federal awards; therefore, such reimbursements totaling \$116,821 are not covered by the reporting requirements of the Uniform Guidance.
3. Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF STATE ASSISTANCE

YEAR ENDED JUNE 30, 2021

Arkansas Department of Education

Charter School Funding	\$ 8,831,031
Charter School Facilities Funding	585,497
Early Intervention Day Treatment Centers Funding	911
GT Advanced Placement	400
Early Childhood Special Education	2,565
Professional Development Funding	45,300
National Board Certification Supplemental Salary Funding	12,215
National School Lunch Student Funding	1,830,467
National School Lunch Matching Grant Program	118,414
English Language Learners (ELL)	3,520
Student Growth Funding	1,421
Arkansas Better Chance Program	<u>263,640</u>
Total State Assistance	<u><u>\$ 11,695,381</u></u>

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2021

A. SUMMARY OF AUDITOR'S RESULTS

1. Our report expresses an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on regulatory basis of accounting on the basic financial statements of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools.

2. The independent auditor's report on internal control over financial reporting described:

Significant deficiency(ies) identified? ☐ Yes ☒ No

Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiency(ies) identified? ☒ Yes ☐ No

Material weakness(es) identified? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:

☒ Unmodified ☐ Modified ☐ Adverse ☐ Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance? ☒ Yes ☐ No

7. The Auditee's major programs were:

Cluster/Program	CFDA Number
• Education Stabilization Fund	84.425D
• Title I, Part A - Grants to Local Educational Agencies	84.010

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

9. The Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance? ☒ Yes ☐ No

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

SIGNIFICANT DEFICIENCIES

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-001 Completion of Time Certifications

Statement of condition: Time certifications for the Title I, Part A – Grants to Local Education Agencies program were not completed.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.430 (i)(1) (v) requires that charges to federal awards for salaries and wages must be based on records that comply with the established accounting policies and practices of the School and be supported by personnel time and effort reports. Such records may include personnel activity reports, including prescribed certifications, or equivalent documentation. Per the School's policies, time certifications over federal expenditures should be properly completed by the appropriate personnel.

Cause of condition: Procedures are in place for personnel to complete time certifications at the end of each school semester if employees work 100% in one program or monthly if the employee spends time within multiple programs. However, the School did not properly monitor time and effort record completion and maintenance for employees and was unable to provide time certifications that were selected for testing due to the forms being misplaced and/or not completed.

Effect of condition: During testing, it was noted that time certifications for the Title I, Part A – Grants to Local Education Agencies program were not properly obtained from employees. This resulted in \$1,400 of questioned costs.

Context: A sample of 28 employees paid with Title I, Part A – Grants to Local Education Agencies funds were selected to test controls related to allowable costs for all pay charged to program for each employee. The audit testing found that for one employee 4 of his 19 monthly time certifications were not completed and for one employee all time certifications were missing (should have had 2 time certifications).

Recommendation: To ensure all time certifications are completed by employees who work within federal programs, a review of completed time certifications should be compared to the employee listing for all federal program employees.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will obtain time certifications on all federally paid employees.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-002 Improper Support of Salaries and Wages

Statement of condition: Salaries and wages were charged to the Title I, Part A – Grants to Local Education Agencies program for employees tested but time certifications indicated these employees did not work in the program.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.430 (i)(1) (i) requires that salaries and wages charged to federal awards must be supported by system of internal controls that provide reasonable assurance that the charges are accurate, allowable, and properly allocated. The School's time certifications meet this regulation but these time certifications do not support the allocation of pay for these employees.

Cause of condition: Procedures are in place for personnel to review the accuracy of the time certification and to ensure accuracy in the recording of how salaries and wages are allocated in accordance with the time certifications. However, there was a breakdown in this control.

Effect of condition: During testing, it was noted that time certifications for employees who were paid with Title I, Part A – Grants to Local Education Agencies program funds stated they did not actually work within the program. This resulted in \$331 of questioned costs.

Context: A sample of 28 employees paid with Title I, Part A – Grants to Local Education Agencies funds were selected to test controls related to allowable costs for all pay charged to program for each employee. The audit testing found that 2 employees had time certifications that stated they worked 100% in another program outside of the Title I, Part A – Grants to Local Education Agencies program, yet a portion of their salaries and wages was charged to the program.

Recommendation: To ensure that salaries and wages charged to federal award programs are supported by time certifications, a review of completed time certifications should be compared to salaries and wages recorded to the program.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will review time certifications in comparison to salaries and wages recorded to program.

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

Education Stabilization Fund: Assistance Listing Number 84.425D

U.S. Department of Education Passed through Arkansas Department of Education

2021-003 Review and Approval of Time Certifications and Timesheets

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Statement of condition: Time certifications and timesheets that support salaries and wages charged to the Title I, Part A – Grants to Local Education Agencies and Education Stabilization Fund programs showed no evidence of review and approval performed.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.430 (i)(1) (i) requires that salaries and wages charged to federal awards must be supported by system of internal controls that provide reasonable assurance that the charges are accurate, allowable, and properly allocated. The School's control of reviewing and approving of time certifications and timesheets and providing evidence of this review and approval through signature of appropriate personnel meet this regulation but time certifications and timesheets showed no evidence of review and approval.

Cause of condition: Procedures are in place for personnel to review and approve the accuracy of the time certification and timesheets to ensure accuracy in the recording of how salaries and wages are allocated in accordance with the time certifications and timesheets. However, there was a breakdown in this control.

Effect of condition: During testing, it was noted that time certifications and timesheets for employees who were paid with Title I, Part A – Grants to Local Education Agencies and Education Stabilization Fund program funds did not have evidence that review and approval was performed.

Context: A sample of 28 employees paid with Title I, Part A – Grants to Local Education Agencies funds and 8 employees paid with Education Stabilization Fund funds were selected to test controls related to allowable costs for all pay charged to each program for each employee. The audit testing of Title I, Part A – Grants to Local Education Agencies found that 5 employees paid with funds had at least 1 monthly time certification without evidence of review and approval. Testing also resulted in 2 employees who worked and were paid overtime with Title 1, Part A funds had multiple timesheets stating the overtime that showed no evidence of review and approval. The audit testing of Education Stabilization Fund found that 1 employee had multiple timesheets that showed no evidence of review and approval.

Recommendation: To ensure the accuracy of time certifications and timesheets and that salaries and wages charged to federal award programs are accurate, all time certifications and timesheets should be reviewed and approved by appropriate School personnel. This review and approval should be evidenced by the School personnel's signature.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will review and approve time certifications and timesheets and provide evidence of this review and approval with appropriate School personnel signature.

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-004 Improper Allocation of Salaries and Wages

Statement of condition: The allocation of salaries and wages charged to the Title I, Part A – Grants to Local Education Agencies program based on time spent in program for employees tested was not accurate per supporting documentation of time certifications and timesheets.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.430 (i)(1) (i) requires that salaries and wages charged to federal awards must be supported by system of internal controls that provide reasonable assurance that the charges are accurate, allowable, and properly allocated. The School's time certifications and timesheets meet this regulation but the salaries and wages recorded to program based on allocation of time worked in program is not supported by time certifications and timesheets.

Cause of condition: Procedures are in place for personnel to review the accuracy of the time certification and to ensure accuracy in the recording of how salaries and wages are allocated in accordance with the time certifications. However, there was a breakdown in this control.

Effect of condition: During testing, it was noted that the allocation of employees' salaries and wages charged to the Title I, Part A – Grants to Local Education Agencies program based on time spent in program was not supported by time certifications and timesheets which state actual time worked by program for each employee. This resulted in \$643 of questioned costs.

Context: A sample of 28 employees paid with Title I, Part A – Grants to Local Education Agencies funds were selected to test controls related to allowable costs for all pay charged to program for each employee. The audit testing found that 18 employees whose allocation of salaries and wages based on time spent in program (Title I hours divided by total hours) per time certifications did not match to actual salaries and wages charged to program. The actual salaries and wages charged was based on an allocation percentage lower than that stated on time certifications. Therefore, there was no compliance findings with the salaries and wages charged for these employees. The audit testing also found that 1 employee who worked more hours per timesheets than stated on time certifications. The hours for Title I, Part A program were the same on both documents, but the allocation percentage used (Title I hours divided by total hours) was per time certification. As such, the program was overcharged by \$643 which is the questioned costs.

Recommendation: To ensure that salaries and wages charged to federal award programs are supported by time certifications and timesheets, a review of completed time certifications and timesheets should be compared to salaries and wages recorded to the program.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will review time certifications and timesheets in comparison to salaries and wages recorded to program.

Title I, Part A – Grants to Local Education Agencies: Assistance Listing Number 84.010

U.S. Department of Education Passed through Arkansas Department of Education

2021-005 No Purchase Orders

Statement of condition: Expenditures of Title I, Part A – Grants to Local Education Agencies program funds that exceeded \$500 did not have a purchase order approved prior to purchase.

Criteria: Title 2 U.S. Code of Federal Regulations (CFR) 200.303 requires that non-federal entities receiving federal awards establish and maintain internal control over the federal awards that provides reasonable assurance that the non-federal entity is managing the federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal awards.

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2021

Part of the School's controls includes prior approval of all expenditures over \$500 through a purchase order to ensure allowability under federal statutes, regulations, and terms and conditions.

Cause of condition: Procedures are in place for all expenditures that exceed \$500 to be approved prior to purchase through purchase orders. However, there was a breakdown in this control.

Effect of condition: During testing, it was noted that expenditures of Title I, Part A – Grants to Local Education Agencies program funds that exceeded \$500 were not approved before purchase with purchase orders.

Context: A sample of 15 expenditures of Title I, Part A – Grants to Local Education Agencies funds that exceeded \$500 were selected to test controls related to allowable costs. The audit testing found that 3 of these expenditures did not have a purchase order completed prior to purchase.

Recommendation: To ensure that expenditures are allowable per federal award statutes, regulations, and the terms and conditions, all expenditures of federal award funds over \$500 need to be pre-approved with a purchase order.

Views of responsible officials and planned corrective actions: Management agrees with this finding and will complete purchase orders for expenditures of federal awards that exceed \$500.

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

2020-001 Completion of Time Certifications

SIGNIFICANT DEFICIENCY

Statement of Condition: Time certifications for the National School Lunch Program and School Breakfast Program were not completed.

Recommendation: The School should monitor the completion of the periodic time certifications for applicable employees to ensure that they are completed appropriately.

Current Status: The recommendation was implemented in 2021 but not effective. See similar finding noted in the 2021 audit at 2021-001 above.

**INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS**

To the Board of Education
KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
Helena-West Helena, Arkansas

We have examined management's assertions that KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2021. Management is responsible for the School's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the School's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, KIPP Delta, Inc. d/b/a KIPP Delta Public Schools complied with the aforementioned requirements for the year ended June 30, 2021.

This report is intended solely for the information and use of the Board of Directors, management, and the Arkansas Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.

HCJ CPAs & Advisors PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
July 19, 2022

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

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

YEAR ENDED JUNE 30, 2021

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Fund	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
○ 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 and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213; 11-4-218; 11-4-403; 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

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

YEAR ENDED JUNE 30, 2021

DESCRIPTION

STATUTES

On Behalf Payments

The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of School's employees
10-4-413(c)

Regulatory Basis of Accounting

26-35-802

Real Estate and Personal Property Tax

19-11-201 et seq.

Appeals

6-20-1901 et seq.

Arkansas Procurement Law

Fiscal Accountability

Enhanced Student Achievement Funding

ESA

6-20-2305(B)(4)(F)(I)

Limitation on Fund Balances

6-20-2210 (Waived for 2019 - 2020 only)

CARES Act (COVID-19) Education

Funding

Commissioner's Memo LS-20-089

Charter Facilities Funding

6-23-908

**KIPP DELTA, INC. d/b/a
KIPP DELTA PUBLIC SCHOOLS**

**SUPPLEMENTAL DATA SHEET AS REQUIRED BY ARKANSAS DEPARTMENT OF HUMAN SERVICES
AUDIT GUIDELINES**

YEAR ENDED JUNE 30, 2021

The following information is being provided to satisfy the requirements of Arkansas Department of Human Services Audit Guidelines - Special Requirements:

1. Entity's Full Name: KIPP Delta, Inc. d/b/a KIPP Delta Public Schools
2. Entity's Address: 514 Missouri Street
Helena-West Helena, AR 72342
3. Entity's FEIN: 31-1807400
4. Entity's Telephone Number: 870-753-9035
5. Name of Director: Megan Stitzinger, Interim Executive Director
6. Name of Contact Person: Raven Robinson, Managing Director of Finance