



**KIPP:DELTA**  
PUBLIC SCHOOLS

**REGULATORY BASIS FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2023**

**with**

**INDEPENDENT AUDITOR'S REPORT**

**HQI**  
CPAs & Advisors PLLC

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## **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 Audit of the Financial Statements**

#### ***Opinions***

We were engaged to audit 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, 2023, 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.

#### ***Disclaimer of Opinion on Regulatory Basis of Accounting***

We do not express an opinion on the regulatory basis financial statements of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools referred to above. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Regulatory Basis of Accounting section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the regulatory basis financial statements.

#### ***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 section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the School, as of June 30, 2023, or changes in net position, or cash flows thereof 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.

#### ***Basis for Disclaimer of Opinion on Regulatory Basis of Accounting***

We were unable to obtain sufficient appropriate audit evidence regarding the amounts at which cash and cash equivalents and accounts receivable are recorded in the accompanying balance sheet - regulatory basis at June 30, 2023 (stated at \$896,791 and \$1,117,175, respectively) or the amount of capital outlay recorded in the accompanying statement of revenues, expenditures and changes in fund balances - governmental funds - regulatory basis for the year then ended (stated at \$773,651) because of inadequacy of accounting records for the year ended June 30, 2023. We were unable to obtain sufficient appropriate audit evidence about the accuracy of cash and cash equivalents, the existence of accounts receivable, or the accuracy of capital outlay by other auditing procedures.

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

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

As described in Note 1, the financial statements are prepared by the School, on the basis of the financial reporting provisions of Arkansas Code Ann. §10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America to meet the requirements of the State of Arkansas. 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 and pervasive.

### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed by Arkansas Code Ann. §10-4-413(c) as provided in Act 2201 of 2005. 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern within one year after the date the financial statements are available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

Our responsibility is to conduct an audit of the School's financial statements in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on Regulatory Basis of Accounting section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

### **Disclaimer of Opinion on Supplementary 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 state assistance and the schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information 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. We do not express an opinion on the supplementary information referred to above. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Regulatory Basis of Accounting section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the supplementary information.

### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines and the schedule of capital assets but does not include the regulatory financial statements and our auditor's report thereon. Our opinions on the regulatory financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2024 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 the effectiveness of the School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

HCT CPAs & Advisors, PLLC

Little Rock, Arkansas  
October 31, 2024

## **FINANCIAL STATEMENTS**

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

**BALANCE SHEET - REGULATORY BASIS**

**JUNE 30, 2023**

	<b>Governmental Funds</b>		
	<b>Major</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 194,569	\$ 576,833	\$ 125,389
Accounts Receivable	63,547	1,027,021	26,607
Pledges Receivable	150,000	-	-
Due from Other Funds	1,123,260	-	-
	<u>\$ 1,531,376</u>	<u>\$ 1,603,854</u>	<u>\$ 151,996</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts Payable	\$ 164,425	\$ 51,644	\$ 13,062
Accrued Payroll Liabilities	21,874	-	-
Due to Other Funds	-	984,326	138,934
	<u>186,299</u>	<u>1,035,970</u>	<u>151,996</u>
<b>Fund Balances:</b>			
Restricted:			
State Programs	1,017,038	-	-
Federal Programs	-	567,884	-
Capital Projects	-	-	-
Other	139,387	-	-
Assigned	220,821	-	-
Unassigned	(32,169)	-	-
	<u>1,345,077</u>	<u>567,884</u>	<u>-</u>
Total Fund Balances	<u>\$ 1,531,376</u>	<u>\$ 1,603,854</u>	<u>\$ 151,996</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, 2023**

	<b>Major</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>REVENUES</b>			
State Assistance	\$ 10,819,668	\$ 5,073	\$ 282,974
Federal Assistance	-	7,421,751	-
Contributions	93,426	-	-
Activity Revenues	73,243	-	-
Earnings on Investments	3,981	-	-
Other Revenues	218,794	2,948	-
	<u>11,209,112</u>	<u>7,429,772</u>	<u>282,974</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular Programs	4,164,788	1,090,283	-
Special Education	305,987	393,931	-
Compensatory Education	616,971	1,463,771	-
Student Support Services	819,915	373,318	-
Instructional Staff Support Services	711,383	724,567	-
General Administration Support Services	667,322	38,207	-
School Administration Support Services	1,257,690	-	-
Business Support Services	748,039	849,402	-
Operation and Maintenance of Plant Services	1,539,254	87,445	402,754
Student Transportations Services	1,190,249	124,890	-
Other Support Services	8,849	-	-
Food Services Operations	-	1,349,013	-
Other	3,413	115,368	-
<b>Capital Outlay</b>	82,507	619,253	71,891
<b>Debt Service:</b>			
Principal Retirement of Debt and Finance Leases	642,657	-	-
Interest and Fiscal Charges	410,723	-	-
	<u>13,169,747</u>	<u>7,229,448</u>	<u>474,645</u>
<b>(Deficiency) Excess of Revenue Over Expenditures</b>	(1,960,635)	200,324	(191,671)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Finance Leases	80,333	-	-
Transfers, Net	366,877	(12,279)	(354,598)
Total Other Financing Sources (Uses)	<u>447,210</u>	<u>(12,279)</u>	<u>(354,598)</u>
<b>Net Change in Fund Balances</b>	(1,513,425)	188,045	(546,269)
<b>Fund Balance - Beginning</b>	<u>2,858,502</u>	<u>379,839</u>	<u>546,269</u>
<b>Fund Balance - Ending</b>	<u>\$ 1,345,077</u>	<u>\$ 567,884</u>	<u>\$ -</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, 2023**

	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
State Assistance	\$ 10,729,891	\$ 10,819,668	\$ 89,777
Federal Assistance	-	-	-
Contributions	1,610,639	93,426	(1,517,213)
Activity Revenues	83,369	73,243	(10,126)
Earnings on Investments	7,200	3,981	(3,219)
Other Revenues	183,294	218,794	35,500
	<u>12,614,393</u>	<u>11,209,112</u>	<u>(1,405,281)</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular Programs	4,086,499	4,164,788	(78,289)
Special Education	225,201	305,987	(80,786)
Compensatory Education	788,923	616,971	171,952
Other Instructional Services	1,500	-	1,500
Student Support Services	967,763	819,915	147,848
Instructional Staff Support Services	748,277	711,383	36,894
General Administration Support Services	632,180	667,322	(35,142)
School Administration Support Services	1,392,186	1,257,690	134,496
Business Support Services	868,997	748,039	120,958
Operation and Maintenance of Plant Services	1,651,562	1,539,254	112,308
Student Transportations Services	1,150,347	1,190,249	(39,902)
Other Support Services	14,000	8,849	5,151
Food Services Operations	-	-	-
Community Services Operations	-	-	-
Other	-	3,413	(3,413)
<b>Capital Outlay</b>	60,158	82,507	(22,349)
<b>Debt Service:</b>			
Principal Retirement of Debt and Finance Leases	566,572	642,657	(76,085)
Interest and Fiscal Charges	434,460	410,723	23,737
	<u>13,588,625</u>	<u>13,169,747</u>	<u>418,878</u>
<b>(Deficiency) Excess of Revenues Over Expenditures</b>	(974,232)	(1,960,635)	(986,403)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Finance Leases	-	80,333	80,333
Transfers, Net	-	366,877	366,877
Total Other Financing Sources (Uses)	<u>-</u>	<u>447,210</u>	<u>447,210</u>
<b>Net Change in Fund Balances</b>	<u>\$ (974,232)</u>	<u>\$ (1,513,425)</u>	<u>\$ (539,193)</u>

See accompanying notes.

**Special Revenue**

<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
\$ -	\$ 5,073	\$ 5,073
28,837,876	7,421,751	(21,416,125)
-	-	-
-	-	-
-	-	-
5,594	2,948	(2,646)
<u>28,843,470</u>	<u>7,429,772</u>	<u>(21,413,698)</u>
5,284,140	1,090,283	4,193,857
390,510	393,931	(3,421)
2,723,355	1,463,771	1,259,584
-	-	-
349,536	373,318	(23,782)
1,173,891	724,567	449,324
308,162	38,207	269,955
-	-	-
1,301,762	849,402	452,360
9,300,611	87,445	9,213,166
-	124,890	(124,890)
-	-	-
1,022,189	1,349,013	(326,824)
4,000	-	4,000
126,380	115,368	11,012
6,217,221	619,253	5,597,968
-	-	-
-	-	-
<u>28,201,757</u>	<u>7,229,448</u>	<u>20,972,309</u>
641,713	200,324	(441,389)
-	-	-
-	(12,279)	(12,279)
-	(12,279)	(12,279)
<u>\$ 641,713</u>	<u>\$ 188,045</u>	<u>\$ (453,668)</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023**

**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 Arkansas Code Ann. 10-4-413 (c), as provided in Act 2205 of 2005 and amended by Act 867 of 2019, 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, 2023**

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 finance 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, 2023**

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 determined that an allowance for uncollectible pledges was not required at June 30, 2023. 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, 2023**

**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 October 31, 2024, 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:

	<b>Carrying Value</b>	<b>Bank Balance</b>
Insured (FDIC)	\$ 250,000	\$ 250,000
Collateralized by Letter of Credit issued by the Federal Home Loan Bank	646,791	1,118,019
Total Deposits	\$ 896,791	\$ 1,368,019

**Note 3: Accounts Receivable**

The accounts receivable balance of \$1,117,175 is comprised of the following at June 30, 2023:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Due from Other Governments	\$ -	\$ 1,027,021	\$ 26,607	\$ 1,053,628
Other	63,547	-	-	63,547
Total	\$ 63,547	\$ 1,027,021	\$ 26,607	\$ 1,117,175

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023**

**Note 4: Pledges Receivable**

Pledges receivable of \$150,000 at June 30, 2023, are attributable to one donor, for which no reserve has been provided.

Scheduled maturities of pledges receivable are as follows:

2024	\$ 150,000
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**Note 5: Accounts Payable**

The accounts payable balance of \$229,131 is comprised of the following at June 30, 2023:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Vendor Payables	\$ 164,425	\$ 51,644	\$ 13,062	\$ 229,131

**Note 6: Commitments**

The School was contractually obligated for the following at June 30, 2023:

**Notes Payable Issued and Outstanding**

Changes in notes payable:

<b>Description</b>	<b>Balance at July 1, 2022</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance at June 30, 2023</b>
Arvest Bank <sup>(1)</sup>	\$ 1,977,622	\$ -	\$ 140,801	\$ 1,836,821
Charter School Growth Fund <sup>(2)</sup>	200,000	-	100,000	100,000
USDA loan <sup>(3)</sup>	9,211,889	-	250,917	8,960,972
Arvest Bank <sup>(4)</sup>	13,400	-	13,400	-
Heartland Renaissance Fund <sup>(5)</sup>	956,128	-	106,850	849,278
	\$ 12,359,039	\$ -	\$ 611,968	\$ 11,747,071

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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

<b>Year Ended June 30</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 620,365	\$ 462,582	\$ 1,082,947
2025	542,579	358,457	901,036
2026	565,130	335,906	901,036
2027	949,953	301,812	1,251,765
2028	473,957	272,579	746,536
2029-2033	2,556,036	1,070,269	3,626,305
2034-2038	1,791,496	714,044	2,505,540
2039-2043	2,055,355	450,185	2,505,540
2044-2048	<u>2,192,200</u>	<u>188,063</u>	<u>2,380,263</u>
Total	<u>\$ 11,747,071</u>	<u>\$ 4,153,897</u>	<u>\$ 15,900,968</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. 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 matured 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.



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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023**

**Note 7: Finance Leases**

The School has two finance leases for copiers at year-end and one such lease that expired during the year. Rent expense for these leases totaled \$25,960 for 2023. The School's finance leases will expire in September 2025 and have monthly payments ranging from \$210 - \$2,453, with imputed interest rates ranging from 5.25% - 6.25%. The property held under the finance leases consisted of equipment with total cost of \$142,509 and accumulated depreciation of \$50,099 as of June 30, 2023.

Future finance lease obligations at June 30, 2023 are as follows:

2024	\$ 31,956
2025	31,956
2026	<u>8,055</u>
Total minimum lease payments	71,967
Interest	<u>(4,935)</u>
	<u>\$ 67,032</u>

**Note 8: Operating Leases**

The School leases equipment under various operating leases. Rent expense for these leases totaled \$82,744 for 2023. Future minimum lease payments at June 30, 2023 are as follows:

2024	\$ 45,937
2025	20,237
2026	17,269
2027	<u>8,635</u>
Total	<u>\$ 92,078</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 1-501-682-1517, or by visiting the ATRS website at [www.atrs.gov](http://www.atrs.gov).

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 7% 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 15%. The School's contributions to ATRS for the years ended June 30, 2023, 2022, and 2021 were \$1,541,050, \$1,287,125, and \$1,431,471, respectively, equal to the required contributions each year.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2023**

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, 2022 (actuarial valuation date and measurement date) was \$13,604,553.

**Note 10: Fundraising Expenses**

The School uses fundraising to encourage donations within the community. The costs of fundraising activities are expensed as incurred. During 2023, fundraising costs totaled \$2,616.

**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	\$ 12,558,734	\$ 157,175	\$ -	\$ 12,715,909
Transfers out	<u>(12,191,857)</u>	<u>(169,454)</u>	<u>(354,598)</u>	<u>(12,715,909)</u>
	<u>\$ 366,877</u>	<u>\$ (12,279)</u>	<u>\$ (354,598)</u>	<u>\$ -</u>

**Note 12: Significant Concentration**

The School is economically dependent on funding received through state and federal awards. Approximately 59% and 39% of total revenues were from state and federal sources, respectively, during the year ended June 30, 2023.

**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, 2023**

**Note 14: On-Behalf Payments**

During the year ended June 30, 2023, health insurance premiums of \$323,701 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of School employees.

**Note 15: Related Party Transactions**

During the year ended June 30, 2023, the School contracted with a company owned by the spouse of a member of the Board of Directors to provide therapy services for the School. The contract was approved by the Arkansas Department of Education on October 28, 2021. During the year ended June 30, 2023, therapy costs paid to related parties totaled \$37,940.

**Note 16: Subsequent Event**

On June 26, 2024, the School received a \$750,000 loan from KIPP Foundation. The loan has an interest rate of 2% and the original maturity date was September 15, 2024. On November 1, 2024, the maturity date was extended to December 1, 2024.

**OTHER REPORTS AND SUPPLEMENTARY INFORMATION**

**KIPP DELTA, INC. d/b/a  
KIPP DELTA PUBLIC SCHOOLS**  
**SCHEDULE OF CAPITAL ASSETS**  
**YEAR ENDED JUNE 30, 2023**  
**(Unaudited)**

	<b>Balance July 1, 2022</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2023</b>
<b>Depreciable Capital Assets:</b>				
Building and Improvements	\$ 22,537,072	\$ 563,944	\$ -	\$ 23,101,016
Furniture and Equipment	<u>5,702,131</u>	<u>209,712</u>	<u>-</u>	<u>5,911,843</u>
Total Depreciable Capital Assets	28,239,203	773,656		29,012,859
<b>Nondepreciable Capital Assets:</b>				
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>
<b>Total Capital Assets</b>	29,184,308	773,656		29,957,964
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements	6,590,557	596,423	-	7,186,980
Furniture and Equipment	<u>3,915,109</u>	<u>335,600</u>	<u>-</u>	<u>4,250,709</u>
Total Accumulated Depreciation	<u>10,505,666</u>	<u>932,023</u>	<u>-</u>	<u>11,437,689</u>
<b>Capital Assets, Net</b>	<u>\$ 18,678,642</u>	<u>\$ (158,367)</u>	<u>\$ -</u>	<u>\$ 18,520,275</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 were engaged to 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, 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, 2023, 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 October 31, 2024.

We issued a disclaimer of opinion in regards to the financial statements prepared in accordance with the financial reporting provision of Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1. Based on the inadequacy of accounting records for the year ended June 30, 2023, we were unable to obtain sufficient appropriate audit evidence regarding the amounts at which cash and cash equivalents and accounts receivable are recorded in the accompanying balance sheet - regulatory basis at June 30, 2023 (stated at \$896,791 and \$1,117,175, respectively) or the amount of capital outlay recorded in the accompanying statement of revenues, expenditures and changes in fund balances - governmental funds - regulatory basis for the year then ended (stated at \$773,651).

We issued an adverse opinion because the School prepared the financial statements in conformity with accounting practices prescribed or permitted by the Arkansas Code Ann. §10-4-413(c) provided in Act 2201 of 2005, which differ from 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.

**Report on Internal Control over Financial Reporting**

In connection with our engagement to the audit of the financial statements of the School, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

To the Board of Directors

Page Two

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 entity's regulatory basis financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2023-001 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003 to be significant deficiencies.

### **Report on Compliance and Other Matters**

In connection with our engagement to audit the financial statements of the School, 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*. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

### **School's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on the response.

### **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  
October 31, 2024

**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**

***Qualified and Unmodified Opinions***

We have audited KIPP Delta, Inc. d/b/a KIPP Delta Public Schools' (the "School") compliance with the types of compliance requirements identified as subject to audit 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, 2023. 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.

*Qualified Opinion on Education Stabilization Fund*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Education Stabilization Fund for the year ended June 30, 2023.

*Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, the School complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2023.

***Basis for Qualified and Unmodified Opinions***

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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.



To the Board of Directors

Page Two

*Matters Giving Rise to Qualified Opinion on Education Stabilization Fund*

As described in the accompanying schedule of findings and questioned costs, the School did not comply with requirements regarding the Education Stabilization Fund as described in finding number 2023-004 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles.

Compliance with such requirements is necessary, in our opinion, for the School to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the School's internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors  
Page Three

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

The results of our auditing procedures disclosed other 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 2023-007, 2023-008, and 2023-009 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles and 2023-005 and 2023-006 for Equipment Real Property Management. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004 to be a material weakness.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-005, 2023-006, 2023-007, 2023-008, and 2023-009 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors  
Page Four

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC  
Little Rock, Arkansas  
October 31, 2024

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2023**

<b>Federal Grant/Pass-Through Grantor/Program Title</b>	<b>Pass through Entity Identifying Number</b>	<b>Federal Assistance Listing Number</b>	<b>Federal Expenditures</b>
<b>CHILD NUTRITION CLUSTER</b>			
<b><u>U.S. Department of Agriculture</u></b>			
<b>Passed through Arkansas Department of Education:</b>			
School Breakfast Program - Cash Assistance	54407	10.553	\$ 456,462
National School Lunch Program - Snack Reimbursement	54407	10.555	171,035
National School Lunch Program - Supply Chain Assistance	54407	10.555	67,718
National School Lunch Program - Performance Based Reimbursement	54407	10.555	13,467
National School Lunch Program - Cash Assistance	54407	10.555	488,441
National School Lunch Program - Non-Cash Assistance	54407	10.555	94,965
Fresh Fruit and Vegetable Program	54407	10.582	43,234
Total Child Nutrition Cluster			<u>1,335,322</u>
<b>SPECIAL EDUCATION CLUSTER</b>			
<b><u>U.S. Department of Education</u></b>			
<b>Passed through Arkansas Department of Education:</b>			
Title VI, Part B - Special Education Grants to States	54407	84.027	367,732
COVID-19 ARP Special Education School Age Funding	54407	84.027X	75,831
Title VI - Special Education - Preschool Grants	54407	84.173	10,621
Total Special Education Cluster			<u>454,184</u>
<b>OTHER PROGRAMS:</b>			
<b><u>U.S. Department of Education</u></b>			
<b>Passed through Arkansas Department of Education:</b>			
Title I, Part A - Grants to Local Education Agencies	54407	84.010	2,029,836
Title II, Part A - Improving Teacher Quality State Grants	54407	84.367	114,561
Title V, Part B - Rural and Low Income School Program	54407	84.358B	47,202
AR Comprehensive State Literacy Development Grant	54407	84.371	51
COVID-19 Education Stabilization Fund - ESSER II	54407	84.425D	826,952
COVID-19 Education Stabilization Fund - ESSER III	54407	84.425D	2,249,488
COVID-19 Education Stabilization Fund - ABC Stipends & Incentives	54407	84.425U	650
Total Other Programs			<u>5,268,740</u>
Total Expenditures of Federal Awards			<u>\$ 7,058,246</u>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

**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 \$102,766 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 Education.
4. The School received approval from the Arkansas Department of Education to transfer \$169,454 of Title IV, Part A - Student Support and Academic Enrichment funds to Title I, Part A - Grants to Local Education Agencies.

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

**SCHEDULE OF STATE ASSISTANCE**

**YEAR ENDED JUNE 30, 2023**

**Arkansas Department of Education**

Arkansas Better Chance Program	\$ 263,640
Charter School Funding	8,088,769
Charter School Facilities Funding	282,974
English Language Learners (ELL)	4,026
GT Advanced Placement	50
National Board Certification Supplemental Salary Funding	12,265
Enhanced Student Achievement	1,735,865
School Food Service - State Matching	5,073
Student Growth Funding	353,748
National School Lunch Matching Grant Program	106,185
Professional Development Funding	40,919
Teacher Salary Equalization Program	<u>214,201</u>
Total State Assistance	<u>\$ 11,107,715</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2023**

**A. SUMMARY OF AUDITOR'S RESULTS**

1. Our report expresses an adverse opinion based on generally accepted accounting principles and a disclaimer of 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 and 84.425U
• Child Nutrition Cluster	10.553, 10.555 and 10.582

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, 2023**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESS**

**2023-001 Maintaining Supporting Documentation for Cash Receipts**

*Statement of condition:* Adequate supporting documentation was not maintained for cash receipts.

*Criteria:* Management should maintain supporting documentation for all transactions.

*Cause of condition:* Management has not maintained records of transactions for cash receipts. Supporting documentation has either been lost or disposed.

*Effect of condition:* Management did not maintain adequate supporting documentation for cash receipts received subsequent to year-end, thus making it difficult to determine whether accounts receivable and revenue are materially and properly stated.

*Context:* During testing, it was noted that supporting documentation was not maintained for \$1,042,840 of the \$1,096,387 of balances included in accounts receivable as of June 30, 2023 that were selected for testing. It was also noted that supporting documentation was not maintained for an additional \$4,054,017 of cash received subsequent to June 30, 2023 that was not included in accounts receivable as of June 30, 2023. Therefore, we were unable to determine if these receipts were properly included/excluded from accounts receivable and revenue at year-end.

*Recommendation:* To ensure proper records are maintained, after recording all transactions, supporting documentation for which the transaction was derived should be maintained in an organized fashion so that the records can be accessed in a timely manner. This process should be done to ensure accounting records are accurate and to provide support if questions arise from the public or any government agencies.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place to maintain adequate supporting documentation for all transactions.

*Action Plan:*

- Implement a standardized protocol requiring all cash receipts to be documented and filed immediately upon receipt in AVID.
- Develop a secure digital backup system to store and track all financial documents.
- Assign responsibility for monthly review and verification of receipt documentation to the financial management team.

*Timeline:* Effective immediately; completion and review every quarter.

*Responsible Parties:* Finance Director and APSRC.



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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

**SIGNIFICANT DEFICIENCIES**

**2023-002 Maintaining Supporting Documentation for Expenditures**

*Statement of condition:* Adequate supporting documentation was not maintained for expenditures.

*Criteria:* Management should maintain supporting documentation for all transactions.

*Cause of condition:* Management has not maintained records of transactions for expenditures. Supporting documentation has either been lost or disposed.

*Effect of condition:* Management did not maintain adequate supporting documentation for certain repairs and maintenance expenditures, thus making it difficult to determine whether amounts were properly expensed or if they should be included with capital outlay.

*Context:* During testing, there were 11 out of 14 repairs and maintenance expenditures selected for testing in which management was unable to provide supporting documentation. These expenditures totaled \$86,332. Therefore, we were unable to determine if these expenditures were properly expensed or if they should be included with capital outlay.

*Recommendation:* To ensure proper records are maintained, after recording all transactions, supporting documentation for which the transaction was derived should be maintained in an organized fashion so that the records can be accessed in a timely manner. This process should be done to ensure accounting records are accurate and to provide support if questions arise from the public or any government agencies.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place to maintain adequate supporting documentation for all transactions.

*Action Plan:*

- Establish mandatory documentation protocols for all expenditure related transactions, including a checklist for required supporting documents.
- Conduct semi-annual training sessions with all departments involved in purchasing and financial transactions to reinforce the importance of compliance.
- Schedule quarterly audits of expenditure files to ensure consistent compliance.

*Timeline:* Immediate implementation; quarterly reviews.

*Responsible Parties:* Finance Director, APSRC, and Directors.

**2023-003 Bank Reconciliation**

*Statement of condition:* Uncleared items on bank reconciliations are not being appropriately followed up on by management.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

*Criteria:* Management should be aware and knowledgeable on the status of all uncleared items on the bank reconciliation.

*Cause of condition:* Management has not been obtaining updates from vendors on uncleared checks included on the bank reconciliation from month to month.

*Effect of condition:* Management was unable to provide information on checks included on the bank reconciliation that had not cleared subsequent to year-end.

*Context:* During testing, there were 9 uncleared checks included on the year-end bank reconciliation which had not cleared subsequent to year-end. The uncleared checks totaled \$274,621. Management was unable to provide any additional support or explanation as to why the checks had not yet cleared.

*Recommendation:* To ensure cash is being accurately recorded, management should follow up on any uncleared checks that remain on the bank reconciliation from month to month in order to determine if the checks are still valid, should be voided, or be reported to the state as unclaimed property.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place for a review of all uncleared items included on the bank statement reconciliation to be performed each month.

*Action Plan:*

- Introduce a monthly review process for bank reconciliations to monitor and follow up on uncleared items.
- Develop a tracking system for reconciliation to ensure items are either cleared, voided, or reported as unclaimed property as needed.
- Train financial staff on best practices for bank reconciliation management and vendor communication.

*Timeline:* Immediate implementation; monthly review and follow-up.

*Responsible Parties:* Finance Director, APSRC, and Directors.

**C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT**

**MATERIAL WEAKNESS**

**Education Stabilization Fund: Assistance Listing Numbers 84.425D and 84.425U**

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

**2023-004 Maintaining Supporting Documentation for Expenditures of Federal Awards**

*Statement of condition:* Lack of adequate supporting documentation for expenditures of federal awards

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

*Criteria:* Title 2 U.S. Code of Federal Regulations (CFR) 200.302-303 requires 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. Additionally, all recipients and subrecipients of federal awards must maintain records which are sufficient to track expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award.

*Cause of condition:* Procedures are in place which require every transaction recorded to be supported by the appropriate documentation. However, these procedures were not appropriately followed as management has not kept or maintained records of transactions for expenditures of federal awards. Supporting documentation has either been lost or disposed.

*Effect of condition:* Management did not maintain adequate supporting documentation for certain expenditures of federal awards, thus making it impossible to determine if funds were spent in accordance with regulations.

*Context:* Management was unable to provide supporting documentation for 3 of the 10 non-payroll expenditures selected for testing. These expenditures totaled \$15,468.

*Recommendation:* To ensure proper records are maintained, after recording all transactions, supporting documentation for which the transaction was derived should be maintained in an organized fashion so that the records can be accessed in a timely manner. This process should be done to ensure accounting records are accurate and to provide support if questions arise from the public or any government agencies.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place to maintain adequate supporting documentation for all transactions.

*Action Plan:*

- Establish clear guidelines and training on allowable costs for federally funded programs.
- Implement a compliance checklist for all federally funded expenditures to ensure alignment with Education Stabilization Fund requirements.
- Conduct internal audits every quarter to monitor compliance and document findings.

*Timeline:* Immediate implementation; quarterly compliance reviews.

*Responsible Parties:* Finance Director, APSRC, and Directors.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

**SIGNIFICANT DEFICIENCIES**

**Education Stabilization Fund: Assistance Listing Numbers 84.425D and 84.425U**

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

**2023-005 Maintenance of Property Records**

*Statement of condition:* Property records for equipment acquired under the Education Stabilization Fund program were not maintained.

*Criteria:* Title 2 U.S. Code of Federal Regulations (CFR) 200.313(d)(1) requires that property records be maintained that include a description of the property, a serial number or other identification number, the source of funding for the property (including the federal award identification number), who holds title, the acquisition date, cost of the property, percentage of federal participation in the project costs for the federal award under which the property was acquired, the location, use and condition of the property, and any ultimate disposition data including the date of disposal and sales price of the property. Per the School's policies, property records should be maintained for all equipment and theft-sensitive assets.

*Cause of condition:* Procedures are in place for property records to be maintained for all equipment acquired during the fiscal year. However, these procedures do not include maintaining all of the information required by 2 CFR 200.313(d)(1).

*Effect of condition:* During testing, it was noted that property records including all required information were not maintained for capital assets acquired under the Education Stabilization Fund program.

*Context:* Property including school buses and various computer equipment and furniture and fixtures was acquired under the Education Stabilization Fund program. The audit testing found that for all property acquired during the fiscal year, records including a description of the property, the acquisition date, and the cost of the property are being maintained. However, the property records do not include various additional information as required by 2 CFR 200.313(d)(1).

*Recommendation:* Procedures should be put in place to ensure that property records including all required information are maintained for all capital assets purchased by the School in accordance with 2 CFR 200.313(d)(1).

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place to maintain adequate property records. See 2023-004 for management's detailed action plan, timeline, and the responsible parties for all Education Stabilization Fund findings.

**2023-006 Physical Inventory of Property**

*Statement of condition:* A physical inventory of property was not performed within the last two years.

*Criteria:* Title 2 U.S. Code of Federal Regulations (CFR) 200.313(d)(2) requires that a physical inventory of property must be conducted, and the results must be reconciled with the property records at least once every two years.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

*Cause of condition:* A physical inventory of property was planned for the current fiscal year, however, due to high employee turnover, this inventory was never performed.

*Effect of condition:* The School was not in compliance with 2 CFR 200.313(d)(2) as a physical inventory of property had not been performed within the past two years.

*Context:* Property including school buses and various computer equipment and furniture and fixtures was acquired under the Education Stabilization Fund program. A physical inventory of this property has not been performed with the past two years as required by 2 CFR 200.313(d)(2).

*Recommendation:* Procedures should be put in place to ensure that a physical inventory of property is being performed every two years in accordance with 2 CFR 200.313(d)(2).

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place to perform a physical inventory of property at least once every two years. See 2023-004 for management's detailed action plan, timeline, and the responsible parties for all Education Stabilization Fund findings.

**2023-007 Improper Allocation of Salaries and Wages**

*Statement of condition:* The allocation of salaries and wages charged to the Education Stabilization program for employees tested was not accurate per supporting documentation of time certifications.

*Criteria:* Title 2 U.S. Code of Federal Regulations (CFR) 200.430(g)(1)(i) requires that salaries and wages charged to federal awards must be supported by a system of internal controls that provides 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 Education Stabilization funds was not supported by time certifications which state actual time worked by program for each employee.

*Context:* A sample of 40 employees paid with Education Stabilization funds were selected for testing. The audit testing found that 8 of the employees' time certifications indicated that they worked less hours in the program than what was actually charged to the program. This resulted in questioned costs of \$1,704.

*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 the program. See 2023-004 for management's detailed action plan, timeline, and the responsible parties for all Education Stabilization Fund findings.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

**2023-008 Review and Approval of Time Certifications**

*Statement of condition:* Time certifications and timesheets that support salaries and wages charged to the Education Stabilization program showed no evidence of review and approval performed.

*Criteria:* Title 2 U.S. Code of Federal Regulations (CFR) 200.430(g)(1)(i) requires that salaries and wages charged to federal awards must be supported by a system of internal controls that provides 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 a time certification showed no evidence of review and approval.

*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 paid with Education Stabilization funds did not have evidence that review and approval was performed.

*Context:* A sample of 40 employees paid with Education Stabilization funds were selected for testing. The audit testing found that 1 employee's time certification was not signed by the employee and had no evidence of review and approval from a supervisor.

*Recommendation:* To ensure the accuracy of time certifications and that salaries and wages charged to federal award programs are accurate, all time certifications should be signed by the employee and reviewed and approved by the 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 ensure all time certifications are signed by employees and reviewed and approved by the appropriate School personnel. See 2023-004 for management's detailed action plan, timeline, and the responsible parties for all Education Stabilization Fund findings.

**2023-009 Maintenance of Employee Contracts**

*Statement of condition:* Contracts are not maintained for employees.

*Criteria:* Title 2 U.S. Code of Federal Regulations (CFR) 200.430(g)(1)(i) requires that salaries and wages charged to federal awards must be supported by a system of internal controls that provides 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, however, without a contract to support an employee's pay, the allocation of pay to be charged to the program is unable to be determined.

*Cause of condition:* Management has not kept or maintained a copy of an employee's contract.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)**

**YEAR ENDED JUNE 30, 2023**

*Effect of condition:* Due to management's inability to provide a copy of an employee's contract, we were unable to determine the whether the employee's pay was properly allocated to the program based on the employee's completed time certification.

*Context:* A sample of 40 employees paid with Education Stabilization funds were selected for testing. Management was unable to provide a copy of 1 employee's contract. This resulted in \$477 in questioned costs.

*Recommendation:* To ensure the accuracy of salaries and wages that are allocated to federal award programs, management should maintain a copy of all employee contracts,.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will ensure copies of all employee contracts are maintained. See 2023-004 for management's detailed action plan, timeline, and the responsible parties for all Education Stabilization Fund findings.

**D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCY**

**Education Stabilization Fund: Assistance Listing Numbers 84.425D and 84.425U**

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

**2022-001 Maintenance of Property Records**

*Statement of Condition:* Property records for equipment acquired under the Education Stabilization Fund program were not maintained.

*Recommendation:* Procedures should be put in place to ensure that property records including all required information are maintained for all capital assets purchased by the School in accordance with 2 CFR 200.313(d)(1).

*Current Status:* Recommendation was not implemented in 2023. See similar finding noted in the 2023 audit at 2023-005.

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

To the Board of Directors  
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, 2023. 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 in accordance with the criteria, 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.

We are required to be independent of the School and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, KIPP Delta, Inc. d/b/a KIPP Delta Public Schools complied with the aforementioned requirements for the year ended June 30, 2023.

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  
October 31, 2024



**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, 2023**

<b><u>DESCRIPTION</u></b>	<b><u>STATUTES</u></b>
<b>Bidding &amp; Purchasing Commodities</b>	6-21-301 – 6-21-305
<b>Ethical Guidelines and Prohibitions</b>	6-13-628; 6-24-101 et seq.
<b>Collateralization &amp; Investment of Funds</b>	6-20-222; 19-1-504
<b>Deposit of Funds</b>	19-8-104; 19-8-106
<b>District Finances</b>	
• Bonded & Non-bonded Debt, District School Bonds	6-20-402 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
<b>Management of Schools</b>	
• 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
<b>Management Letter for Audit</b>	14-75-101 – 14-75-104
<b>Nonrecurring Salary Payments</b>	6-20-412
<b>Revolving Loan Fund</b>	6-19-114; 6-20-801 et seq.
<b>Salary Laws – Classified</b>	6-17-2201 et seq.; 6-17-2301 et seq.
<b>School Elections</b>	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
<b>Teachers and Employees</b>	
• 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
<b>Teacher Salaries and Foundation Funding Aid</b>	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
<b>Trust Funds (Education Excellence)</b>	6-5-307
<b>Use of Contractors, Improvement Contracts</b>	22-9-201 – 22-9-205
<b>Use of DM&amp;O Millage</b>	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, 2023**

<b><u>DESCRIPTION</u></b>	<b><u>STATUTES</u></b>
<b>On Behalf Payments</b>	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of School's employees
<b>Regulatory Basis of Accounting</b>	10-4-413(c)
<b>Real Estate and Personal Property Tax Appeals</b>	26-35-802
<b>Arkansas Procurement Law</b>	19-11-201 et seq.
<b>Fiscal Accountability</b>	6-20-1901 et seq.
<b>Enhanced Student Achievement Funding ESA</b>	6-20-2305(B)(4)(F)(I)
<b>Limitation on Fund Balances</b>	6-20-2210
<b>CARES Act (COVID-19) Education Funding</b>	Commissioner's Memo LS-20-089
<b>Charter Facilities Funding</b>	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, 2023**

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

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: James Boyd, Executive Director
6. Name of Contact Person: James Boyd, Executive Director

November 6, 2024

KIPP Delta, Inc. d/b/a KIPP Delta Public Schools  
415 Ohio Street  
Helena-West Helena, AR 72342

To the Board of Directors of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools:

In planning and performing our audit of 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, 2023, in accordance with auditing standards generally accepted in the United States of America, 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 opinion on the 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 a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses other than those outlined in the schedule of findings and questioned costs included in the regulatory basis financial statements. However, material weaknesses may exist that have not been identified.

However, during our audit, we became aware of the following deficiencies in internal control other than a significant deficiency or material weakness that are opportunities to strengthen internal controls and operating efficiency.

1. During our testing of leases, we noted that fleet lease expense per the general ledger was significantly larger than expected when comparing to our recalculated fleet lease expense, which utilized lease agreements provided by management. It is expected that additional fleet leases were entered into during the year, however management was unable to provide additional lease agreements. We recommend that all lease agreements be maintained and communicated to the auditor during the period in which they are entered.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with the School's management, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters or to assist you in implementing the recommendations.

This communication is intended solely for the information and use of the School's Board and management and the Legislative Joint Auditing Committee. It is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

HCTJ CPAs & Advisors, PLLC