



**KIPP:DELTA**  
PUBLIC SCHOOLS

**REGULATORY BASIS FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2024**

**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**

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

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, 2024, 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.

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, 2024, 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, accounts receivable, checks written in excess of cash, and accounts payable are recorded in the accompanying balance sheet - regulatory basis at June 30, 2024 (stated at \$1,169,990, \$3,913,333, \$894,280, and \$857,309, respectively) or the amount of revenues, current expenditures, and 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 \$23,543,077, \$19,150,492, and \$2,499,022, respectively) because of inadequacy of accounting records for the year ended June 30, 2024. We were unable to obtain sufficient appropriate audit evidence about the accuracy of cash and cash equivalents, the existence of accounts receivable, the completeness of accounts payable, the accuracy of revenues, current expenditures, or capital outlay by other auditing procedures.

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### ***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 for the twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. 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 and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. 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 the regulatory basis financial statements.

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.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit finding, and certain internal control-related matters that we identified during the audit.

#### **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 April 29, 2025 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.

HCS CPAs & Advisors, PLLC

Little Rock, Arkansas

April 29, 2025

## **FINANCIAL STATEMENTS**

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

**BALANCE SHEET - REGULATORY BASIS**

**JUNE 30, 2024**

	<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	\$ -	\$ 1,044,601	\$ 125,389
Accounts Receivable	-	3,865,124	48,209
Due from Other Funds	3,989,730	-	-
	<u>\$ 3,989,730</u>	<u>\$ 4,909,725</u>	<u>\$ 173,598</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Checks Written in Excess of Cash	\$ 894,280	\$ -	\$ -
Accounts Payable	368,706	462,951	25,652
Accrued Payroll Liabilities	13,111	-	-
Due to Other Funds	-	3,855,205	134,525
	<u>1,276,097</u>	<u>4,318,156</u>	<u>160,177</u>
<b>Fund Balances:</b>			
Restricted:			
State Programs	1,946,004	-	-
Federal Programs	-	591,569	-
Capital Projects	-	-	13,421
Other	95,099	-	-
Assigned	205,771	-	-
Unassigned	466,759	-	-
	<u>2,713,633</u>	<u>591,569</u>	<u>13,421</u>
Total Fund Balances	<u>\$ 3,989,730</u>	<u>\$ 4,909,725</u>	<u>\$ 173,598</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, 2024**

	<b>Major</b>		
	<b>General</b>	<b>Special Revenue</b>	<b>Capital Projects</b>
<b>REVENUES</b>			
State Assistance	\$ 12,242,581	\$ -	\$ 521,651
Federal Assistance	-	10,556,633	-
Contributions	139,855	-	-
Activity Revenues	73,862	-	-
Earnings on Investments	1,089	-	-
Other Revenues	7,406	-	-
	12,464,793	10,556,633	521,651
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular Programs	4,117,090	3,732,444	-
Special Education	446,945	307,670	-
Compensatory Education	683,468	1,560,656	-
Student Support Services	405,017	138,144	-
Instructional Staff Support Services	706,268	745,435	-
General Administration Support Services	975,367	286,952	-
School Administration Support Services	467,720	127,305	-
Business Support Services	695,005	-	-
Operation and Maintenance of Plant Services	1,154,174	-	502,109
Student Transportations Services	868,333	-	-
Other Support Services	25,243	576	-
Food Services Operations	-	1,203,771	-
Other	800	-	-
<b>Capital Outlay</b>	69,027	2,429,995	-
<b>Debt Service:</b>			
Principal Retirement of Debt and Finance Leases	470,692	-	-
Interest and Fiscal Charges	767,209	-	-
	11,852,358	10,532,948	502,109
<b>Excess of Revenue Over Expenditures</b>	612,435	23,685	19,542
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Debt	750,000	-	-
Transfers, Net	6,121	-	(6,121)
Total Other Financing Sources (Uses)	756,121	-	(6,121)
<b>Net Change in Fund Balances</b>	1,368,556	23,685	13,421
<b>Fund Balance - Beginning</b>	1,345,077	567,884	-
<b>Fund Balance - Ending</b>	\$ 2,713,633	\$ 591,569	\$ 13,421

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, 2024**

	<b>General</b>		
	<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
<b>REVENUES</b>			
State Assistance	\$ 11,763,259	\$ 12,242,581	\$ 479,322
Federal Assistance	-	-	-
Contributions	2,029,216	139,855	(1,889,361)
Activity Revenues	83,000	73,862	(9,138)
Earnings on Investments	-	1,089	1,089
Other Revenues	108,000	7,406	(100,594)
	<u>13,983,475</u>	<u>12,464,793</u>	<u>(1,518,682)</u>
<b>EXPENDITURES</b>			
<b>Current:</b>			
Regular Programs	4,628,229	4,117,090	511,139
Special Education	332,952	446,945	(113,993)
Compensatory Education	900,813	683,468	217,345
Other Instructional Services	257	-	257
Student Support Services	580,075	405,017	175,058
Instructional Staff Support Services	704,293	706,268	(1,975)
General Administration Support Services	555,910	975,367	(419,457)
School Administration Support Services	1,511,521	467,720	1,043,801
Business Support Services	725,590	695,005	30,585
Operation and Maintenance of Plant Services	1,268,677	1,154,174	114,503
Student Transportations Services	1,452,604	868,333	584,271
Other Support Services	9,400	25,243	(15,843)
Food Services Operations	-	-	-
Community Services Operations	-	-	-
Other	-	800	(800)
<b>Capital Outlay</b>	-	69,027	(69,027)
<b>Debt Service:</b>			
Principal Retirement of Debt and Finance Leases	577,519	470,692	106,827
Interest and Fiscal Charges	507,965	767,209	(259,244)
	<u>13,755,805</u>	<u>11,852,358</u>	<u>1,903,447</u>
<b>Excess of Revenues Over Expenditures</b>	227,670	612,435	384,765
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from Issuance of Debt	-	750,000	750,000
Transfers, Net	-	6,121	6,121
Total Other Financing Sources (Uses)	<u>-</u>	<u>756,121</u>	<u>756,121</u>
<b>Net Change in Fund Balances</b>	<u>\$ 227,670</u>	<u>\$ 1,368,556</u>	<u>\$ 1,140,886</u>

See accompanying notes.

**Special Revenue**

<b>Budget</b>	<b>Actual</b>	<b>Variance</b>
\$ -	\$ -	\$ -
25,122,503	10,556,633	(14,565,870)
-	-	-
-	-	-
-	-	-
-	-	-
<u>25,122,503</u>	<u>10,556,633</u>	<u>(14,565,870)</u>
4,405,034	3,732,444	672,590
526,871	307,670	219,201
2,327,481	1,560,656	766,825
-	-	-
523,291	138,144	385,147
1,141,471	745,435	396,036
230,500	286,952	(56,452)
-	127,305	(127,305)
-	-	-
8,242,229	-	8,242,229
-	-	-
-	576	(576)
1,386,477	1,203,771	182,706
4,000	-	4,000
108,000	-	108,000
5,279,133	2,429,995	2,849,138
-	-	-
-	-	-
<u>24,174,487</u>	<u>10,532,948</u>	<u>13,641,539</u>
948,016	23,685	(924,331)
-	-	-
-	-	-
-	-	-
<u>\$ 948,016</u>	<u>\$ 23,685</u>	<u>\$ (924,331)</u>

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**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, 2024**

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. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. 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.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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.
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 common 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.

**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.

**Interfund Receivables and Payables**

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

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**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 April 29, 2025, 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	25,710	2,323,222
Total Net Deposits	\$ 275,710	\$ 2,573,222

**Note 3: Accounts Receivable**

The accounts receivable balance of \$3,913,333 is comprised of the following at June 30, 2024:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Due from Other Governments	\$ -	\$ 3,865,124	\$ 48,209	\$ 3,913,333

**Note 4: Accounts Payable**

The accounts payable balance of \$857,309 is comprised of the following at June 30, 2024:

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Vendor Payables	\$ 368,706	\$ 462,951	\$ 25,652	\$ 857,309

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

**Note 5: Commitments**

The School was contractually obligated for the following at June 30, 2024:

**Notes Payable Issued and Outstanding**

Changes in notes payable:

<b>Description</b>	<b>Balance at July 1, 2023</b>	<b>Issued</b>	<b>Retired</b>	<b>Balance at June 30, 2024</b>
Arvest Bank <sup>(1)</sup>	\$ 1,836,821	\$ -	\$ 148,425	\$ 1,688,396
Charter School Growth Fund <sup>(2)</sup>	100,000	-	-	100,000
USDA loan <sup>(3)</sup>	8,960,972	-	257,905	8,703,067
Heartland Renaissance Fund <sup>(4)</sup>	849,278	-	73,691	775,587
KIPP Foundation <sup>(5)</sup>	-	750,000	-	750,000
	<u>\$ 11,747,071</u>	<u>\$ 750,000</u>	<u>\$ 480,021</u>	<u>\$ 12,017,050</u>

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>
2025	\$ 1,392,579	455,368	1,847,947
2026	565,130	335,906	901,036
2027	988,859	301,812	1,290,671
2028	473,957	272,579	746,536
2029	492,869	253,667	746,536
2030-2034	2,404,551	978,741	3,383,292
2035-2039	1,841,387	664,153	2,505,540
2040-2044	2,112,451	393,089	2,505,540
2045-2049	<u>1,745,267</u>	<u>133,888</u>	<u>1,879,155</u>
Total	<u>\$ 12,017,050</u>	<u>\$ 3,789,203</u>	<u>\$ 15,806,253</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 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. Subsequent to year-end, on August 28, 2024, this loan was repaid in full.
- 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%.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

- 4) 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.
- 5) Loan with KIPP Foundation for a total of \$750,000, unsecured. The loan has a fixed interest rate of 2% and matures in June 2025.

**Note 6: Finance Leases**

The School has two finance leases for copiers at year-end. Rent expense for these leases totaled \$29,293 for 2024. The School's finance leases will expire in September 2026 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 \$91,925 and accumulated depreciation of \$53,903 as of June 30, 2024.

Future finance lease obligations at June 30, 2024 are as follows:

2025	\$ 34,619
2026	<u>8,055</u>
Total minimum lease payments	42,674
Interest	<u>(1,811)</u>
	<u>\$ 40,863</u>

**Note 7: Operating Leases**

The School leases equipment under various operating leases. Rent expense for these leases totaled \$90,878 for 2024. Future minimum lease payments at June 30, 2024 are as follows:

2025	\$ 64,822
2026	61,854
2027	<u>43,466</u>
Total	<u>\$ 170,142</u>

**Note 8: 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).

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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, 2024, 2023, and 2022 were \$1,479,891, \$1,541,050, and \$1,287,125, respectively, equal to the required contributions each year.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement No. 68 would be limited to disclosure of the School's proportionate share of the collective net pension liability. The School's proportionate share of the collective net pension liability at June 30, 2023 (actuarial valuation date and measurement date) was \$14,971,072.

**Note 9: Fundraising Expenses**

The School uses fundraising to encourage donations within the community. The costs of fundraising activities are expensed as incurred. During 2024, fundraising costs totaled \$2,206.

**Note 10: Interfund Transfers**

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

	<b>General Fund</b>	<b>Special Revenue Fund</b>	<b>Capital Projects Fund</b>	<b>Total</b>
Transfers in	\$ 13,206,246	\$ -	\$ -	\$ 13,206,246
Transfers out	(13,200,125)	-	(6,121)	(13,206,246)
	\$ 6,121	\$ -	\$ (6,121)	\$ -

**Note 11: Significant Concentration**

The School is economically dependent on funding received through state and federal awards. Approximately 54% and 45% of total revenues were from state and federal sources, respectively, during the year ended June 30, 2024.

**Note 12: 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, except as discussed in the accompanying schedule of findings and questioned costs.

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

**NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2024**

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.

**Note 13: On-Behalf Payments**

During the year ended June 30, 2024, health insurance premiums of \$299,926 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of School employees.

**Note 14: Related Party Transactions**

During the year ended June 30, 2024, 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, 2024, therapy costs paid to related parties totaled \$29,783.

**OTHER REPORTS AND SUPPLEMENTARY INFORMATION**

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

**SCHEDULE OF CAPITAL ASSETS**

**YEAR ENDED JUNE 30, 2024**

**(Unaudited)**

	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>
<b>Depreciable Capital Assets:</b>				
Building and Improvements	\$ 23,101,016	\$ 2,491,218	\$ -	\$ 25,592,234
Furniture and Equipment	<u>5,911,843</u>	<u>7,803</u>	<u>50,584</u>	<u>5,869,062</u>
Total Depreciable Capital Assets	29,012,859	2,499,021	50,584	31,461,296
<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>	29,957,964	2,499,021	50,584	32,406,401
<b>Less Accumulated Depreciation for:</b>				
Building and Improvements	7,186,980	752,046	-	7,939,026
Furniture and Equipment	<u>4,250,709</u>	<u>321,421</u>	<u>25,292</u>	<u>4,546,838</u>
Total Accumulated Depreciation	<u>11,437,689</u>	<u>1,073,467</u>	<u>25,292</u>	<u>12,485,864</u>
<b>Capital Assets, Net</b>	<u>\$ 18,520,275</u>	<u>\$ 1,425,554</u>	<u>\$ 25,292</u>	<u>\$ 19,920,537</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 the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of KIPP Delta, Inc. d/b/a KIPP Delta Public Schools (the "School"), as of and for the year ended June 30, 2024, 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 April 29, 2025.

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, 2024, we were unable to obtain sufficient appropriate audit evidence regarding the amounts at which cash and cash equivalents, accounts receivable, checks written in excess of cash, and accounts payable are recorded in the accompanying balance sheet - regulatory basis at June 30, 2024 (stated at \$1,169,990, \$3,913,333, \$894,280, and \$857,309, respectively) or the amount of revenues, current expenditures, and 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 \$23,543,077, \$19,150,492, and \$2,499,022, respectively).

We issued an adverse opinion in regards to the financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles 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 the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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.

**Little Rock Office**

11025 Anderson Drive, Suite 300 | Little Rock, AR 72212  
PHONE: (501) 221-1000 | FAX: (501) 221-9236

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2024-001 and 2024-002 to be material weaknesses.

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2024-003 to be a significant deficiency.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2024-001, 2024-002, and 2024-003. 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 engagement 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 engagement to audit 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 engagement to perform 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.

H CJ CPAs & Advisors, PLLC

H CJ CPAs & Advisors, PLLC  
Little Rock, Arkansas  
April 29, 2025

**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**

***Disclaimer of 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, 2024. 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.

*Disclaimer of Opinions on Education Stabilization Fund and Title I, Part A – Grants to Local Educational Agencies*

We do not express an opinion on the School's 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 the Education Stabilization Fund and Title I, Part A – Grants to Local Educational Agencies.

Because of the significance of the matters described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Education Stabilization Fund and Title I, Part A – Grants to Local Educational Agencies.

***Basis for Disclaimer of Opinions***

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain audit evidence supporting the School's compliance with the requirements applicable to the Education Stabilization Fund and Title I, Part A – Grants to Local Educational Agencies as described in finding numbers 2024-004, 2024-005, and 2024-006. As a result of these matters, we were unable to determine whether the School complied with the requirements applicable to the Education Stabilization Fund and Title I, Part A – Grants to Local Educational Agencies.

***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.

**Little Rock Office**

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

Our responsibility is to conduct an audit of compliance in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinions section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

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, *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.

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 2024-007 and 2024-008 for Equipment Real Property Management, 2024-009 for Activities Allowed or Unallowed and Allowable Costs/Cost Principles, 2024-10 for Special Tests and Provisions, and 2024-11 for Eligibility. 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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-004, 2024-005, and 2024-006 to be material weaknesses.

*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 2024-007, 2024-008, 2024-009, 2024-010, and 2024-011 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.

*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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*HCJ CPAs & Advisors, PLLC*

HCJ CPAs & Advisors, PLLC  
Little Rock, Arkansas  
April 29, 2025

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**YEAR ENDED JUNE 30, 2024**

<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	\$ 484,343
National School Lunch Program - Snack Reimbursement	54407	10.555	70,211
National School Lunch Program - Performance Based Reimbursement	54407	10.555	103,374
National School Lunch Program - Cash Assistance	54407	10.555	494,337
National School Lunch Program - Non-Cash Assistance	54407	10.555	50,164
Fresh Fruit and Vegetable Program	54407	10.582	<u>1,342</u>
Total Child Nutrition Cluster			<u>1,203,771</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	322,144
Title VI - Special Education - Preschool Grants	54407	84.173	<u>11,872</u>
Total Special Education Cluster			<u>334,016</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 Educational Agencies	54407	84.010	1,701,546
Title II, Part A - Improving Teacher Quality State Grants	54407	84.367	39,384
COVID-19 Education Stabilization Fund - ESSER II	54407	84.425D	2,489,366
COVID-19 Education Stabilization Fund - ESSER III	54407	84.425U	<u>4,681,313</u>
Total Other Programs			<u>8,911,609</u>
Total Expenditures of Federal Awards			<u>\$ 10,449,396</u>

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

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

**YEAR ENDED JUNE 30, 2024**

**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 \$74,882 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.

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

**SCHEDULE OF STATE ASSISTANCE**

**YEAR ENDED JUNE 30, 2024**

**Arkansas Department of Education**

Arkansas Better Chance Program	\$ 328,941
Charter School Funding	8,798,257
Charter School Facilities Funding	521,651
English Language Learners (ELL)	2,196
LEARNS Teacher Minimum Salary and Raise Funding	535,617
National Board Certification Supplemental Salary Funding	12,265
Enhanced Student Achievement	1,695,263
Early Intervention Day Treatment Centers	944
Early Childhood Special Education	2,659
Student Growth Funding	476,696
National School Lunch Matching Grant Program	132,231
Professional Development Funding	43,310
Teacher Salary Equalization Program	<u>214,202</u>
Total State Assistance	<u>\$ 12,764,232</u>

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**YEAR ENDED JUNE 30, 2024**

**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
• Title I, Part A - Grants to Local Educational Agencies	84.010

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

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

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

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

**YEAR ENDED JUNE 30, 2024**

**B. FINDINGS - FINANCIAL STATEMENTS AUDIT**

**MATERIAL WEAKNESSES**

**2024-001 Maintaining Supporting Documentation for Cash Receipts and Expenditures**

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

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

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

*Effect of condition:* Management did not maintain adequate supporting documentation for cash receipts and cash expenditures during the year ended June 30, 2024, or subsequent to year-end, thus making it impossible to determine whether accounts receivable, accounts payable, revenue, and expenditures are materially and properly stated.

*Context:* During testing, it was noted that supporting documentation was not maintained for \$230,335 of the \$3,913,333 of balances included in accounts receivable as of June 30, 2024, or for an additional \$1,207,272 of cash received subsequent to June 30, 2024, that was not included in accounts receivable as of June 30, 2024. Therefore, we were unable to determine if these receipts were properly included/excluded from accounts receivable and revenue at year-end. It was also noted that supporting documentation was not maintained for 146 expenditures made subsequent to year-end totaling \$6,417,923, which were not included in accounts payable as of June 30, 2024. Therefore, we were unable to determine if these expenditures were properly included/excluded from accounts payable and expenditures 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:*

- Tracking Monthly Activity:
  - To ensure accurate financial record-keeping, the Finance Team must establish a structured filing system within Google Drive/Team Sheets under Month-End with the following structure: [FY25 / Period - Month].
    - Within each period/month folder, subfolders should be created for:
      - Bank Statements
      - Payment Confirmations (for bills paid online)
      - Cash Receipts (including deposit slips/forms and copies of deposited checks)

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

**YEAR ENDED JUNE 30, 2024**

- Additional Requirements:
  - Weekly tasks: Download and save bank activity within the designated folder.
  - Preliminary bank reconciliation: Conduct weekly reconciliations, including clearing checks, batching cash receipts, and verifying that all supporting documentation is received and stored.
  - Month-End Tasks: Finalized bank reconciliation reports, including notations for variances, must be saved. The Superintendent must review and sign off on these reports.
- Observation: This process has not been followed for the current fiscal year. The Finance Team must begin implementing this procedure as soon as possible and return to July 2024.
- Process implemented on April 1, 2025.
- Reviewing the School Deposits Process:
  - A Finance team member will conduct on-site observations at each school location at the end of each week to oversee the deposit process. The following steps must be completed:
    - Deposit Form Summary: Each deposit should be documented with a summary form, including copies of any checks and verification signatures from two individuals.
    - Digital Submission: The deposit form summary and bank slip should be scanned and sent to the designated school deposits email for Finance team review.
    - Verification: The Finance Team must cross-check the deposit form summary against the actual bank transaction records.
    - Resolution of Discrepancies: Any missing deposits or discrepancies should be addressed immediately, before the month-end closing process.
  - Observation: Files have not been stored properly, so there is no way to verify that this process is being completed.
  - The process was implemented on April 25, 2025, with an ongoing review.
- Review of all Deposits for YTD FY25:
  - The Finance Team must comprehensively review all deposits made from July 2024 to present, including electronic deposits. The following steps must be taken:
    - Bank Statements Review: Examine all bank statements to ensure all deposits are accounted for.
    - Supporting Documentation: Locate and save all deposit-related supporting documentation in the appropriate folder as outlined in “Tracking Monthly Activity” section.
    - ADE Deposits: Ensure remittances from ADE deposits are included in the records.

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

**YEAR ENDED JUNE 30, 2024**

- Observation: Files have not been stored properly, so there is no way to verify that this process is being completed.
  - The process was implemented on April 25, 2025, with an ongoing review.
- Review and Update of Purchasing Policy
  - The purchasing policy must be reviewed and updated annually to align with the State's purchasing thresholds under Ark. Code Ann. § 6-21-304(a)(1)(A). The following steps ensure compliance with State regulations and suitability for the School:
    - Obtain and review the existing policy.
    - Identify gaps and compliance issues.
    - Consult with the Superintendent on purchasing thresholds.
    - Draft policy updates for Board approval.
    - Obtain Board approval.
    - Communicate changes to end users and update the purchasing reference guide (i.e. purchasing cheat sheet).
    - Align Avid workflows with the updated policy.
    - Monitor compliance and update thresholds annually.
  - Observation: Avid has not been utilized, making it difficult to determine compliance following audit findings.
  - The purchasing policy was updated on April 3, 2025. It will be approved by the board during May's board meeting.
- Assess and Refine Avid Workflows
  - Avid workflows should align with the purchasing policy to ensure proper documentation, approvals, and electronic recordkeeping for audits. Until policy updates are finalized, workflows should reflect the current purchasing policy.
    - Review purchase order and invoice workflows.
    - Adjust workflows based on staffing and purchasing policy updates.
    - Communicate workflow changes through training sessions.
  - Observation: Avid has not been fully implemented, and high staff turnover necessitates an immediate evaluation and update of workflows.
  - The ongoing task is expected to be completed by May 30, 2025.
- Update Training Materials for End Users:
  - The Finance Team will conduct semi-annual training for employees involved in purchasing and approvals.
    - Locate and update training materials.
    - Schedule at least two mandatory training sessions; all end users must attend at least one session to retain purchasing/approval privileges .
    - Develop an acknowledgement form for attendees.
    - Offer training in virtual and in-person formats as needed.

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

**YEAR ENDED JUNE 30, 2024**

- Observation: Training attendance should be mandatory due to audit findings and financial concerns. Failure to attend will result in revoked purchasing/approval privileges.
- The ongoing task is expected to be completed by May 10, 2025.
- Conduct Training Sessions for Expenditure Personnel:
  - The Finance Team will conduct semi-annual training for employees involved in purchasing and approvals.
    - Locate and update training materials.
    - Schedule at least two mandatory training sessions; all end users must attend at least one session to retain purchasing/approval privileges.
    - Develop an acknowledgement form for attendees.
    - Offer training in virtual and in-person formats as needed.
  - Observation: Given the financial concerns and audit findings, participation should be required. Failure to attend will result in revoked purchasing /approval privileges.
  - The ongoing task is expected to be completed by May 10, 2025.
- Resume Avid Usage:
  - Avid should be the exclusive platform for purchase orders and invoices upon training completion.
    - Ensure all invoices are linked to purchase orders.
    - Require proper documentation before purchase order approval.
    - Notify vendors of invoice submission procedures, preferably via formal letter.
  - Observation: Over the past 18 months, poor recordkeeping has resulted in unpaid invoices and outstanding checks. Moving forward, Avid should be the sole system for financial processing, as it integrates seamlessly with eFinance.
  - The ongoing task is expected to be completed by May 30, 2025.
- Audit of all FY25 YTD Expenditures:
  - To ensure compliance and prevent future findings:
    - Generate a YTD check register for all non-payroll expenditures.
    - For later review, separate fixed/recurring expenses (e.g., gas, water, trash, pest control, internet, phone, electric, insurance, debt payments).
    - Prioritize review of all other expenditures for compliance.
    - Retrieve invoices and verify contract and purchase order approvals where applicable.
    - Save all supporting documents by month in Google Drive/Team Sheets under Accounts Payable:
      - Folder structure: [FY25/Period-Month]

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

**YEAR ENDED JUNE 30, 2024**

- Subfolders for each vendor, with documents saved by check number.
  - Effective May 30, 2025, all records should be maintained exclusively in Avid. For updated procedures, refer to the “Check Run How-To.”
- Observation: To prevent future audit issues, all expenditures must be reviewed, documented, and stored accordingly.
- The ongoing task is expected to be completed by May 30, 2025.

**2024-002 Bank Reconciliation**

*Statement of condition:* Monthly bank reconciliations are not being prepared and reconciled to the general ledger by management.

*Criteria:* Management should be preparing monthly bank reconciliations and investigate variances.

*Cause of condition:* Management has not been preparing monthly bank reconciliations throughout the year ended June 30, 2024.

*Effect of condition:* Management did not prepare monthly bank reconciliations, resulting in revenues and expenditures occurring during the year not being recorded in the correct fiscal year and unexplained variances in cash balances at June 30, 2024.

*Context:* During testing, it was noted that a bank reconciliation had not been prepared for the month of June 2024 or for several months prior to June 2024, thus making it difficult to determine whether cash, revenue, and expenditures are materially and properly stated.

*Recommendation:* To ensure cash is being accurately recorded, management should prepare bank reconciliations on a monthly basis and review for any unusual items or discrepancies, which should be investigated and resolved timely.

*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:*

- Complete all bank reconciliations through the most recent month-end:
  - See the “Tracking Monthly Activity” section of management’s action plan for finding 2024-001 for details on action plan.
- Identify and resolve variances before the fiscal year-end:
  - Conducting weekly bank reconciliations will help identify and resolve variances before month-end. Key steps include:
    - Posted cash receipts = Deposits reflected in the bank
    - Cleared checks = Checks cleared in the bank
    - Payroll direct deposits = Total ACH direct deposits in the bank
    - Other transactions as applicable

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

**YEAR ENDED JUNE 30, 2024**

- Observation: A significant variance remains from closing FY24. This must be addressed alongside reconciliations completed during the most recent closed month.
- The process is ongoing with an anticipated completion date of April 30, 2025.
- Review outstanding checks and determine their status:
  - After each bank reconciliation, any outstanding checks older than 60 days must be reviewed and addressed as follows:
    - Vendors: Contact vendors immediately, referencing the invoice number. If a duplicate payment is identified, follow the appropriate process to remove the outstanding check. (Note: Prior year checks require a different process and should not be voided.)
    - Employees: Contact employees promptly. If the check was not received, verify the address and reissue as needed.
    - Unclaimed Property: If the vendor or employee cannot be reached, follow the necessary steps before submitting the check to the State's Unclaimed Property
  - This process is ongoing with an anticipated completion date of April 30, 2025.

**SIGNIFICANT DEFICIENCIES**

**2024-003 Maintaining Supporting Documentation for Contributions and Related Restrictions**

*Statement of condition:* Adequate supporting documentation was not maintained for private contributions received.

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

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

*Effect of condition:* Management did not maintain adequate supporting documentation for certain contributions received, thus making it difficult to determine whether amounts were properly recorded as restricted or unassigned funds, and whether restricted funds were spent in accordance with relevant restrictions.

*Context:* There were two contributions received during the year ended June 30, 2024 selected for testing in which management was unable to provide supporting documentation. These contributions totaled \$139,858. Therefore, we were unable to determine if these contributions had any restrictions or if the amounts were spent in accordance with relevant restrictions. It was also noted during testing that one restricted contribution received in a prior year totaling \$25,000 was improperly recorded to unassigned funds. Management was unable to determine whether these funds were spent in accordance with the relevant restrictions during the year ended June 30, 2024.

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

**YEAR ENDED JUNE 30, 2024**

*Recommendation:* To ensure proper records are maintained for all transactions, supporting documentation 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 government agencies.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place for the maintenance of supporting documentation for contributions and related restrictions.

*Action Plan:*

- See the “Tracking Monthly Activity”, “Reviewing the School Deposits Process”, and “Review of all Deposits for YTD FY25” sections of management’s action plan for finding 2024-001

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

**MATERIAL WEAKNESSES**

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

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

**2024-004 Review and Approval of Expenditures and Maintaining Supporting Documentation**

*Statement of condition:* Supporting documentation for expenditures paid from the Education Stabilization Fund did not contain evidence of appropriate review and approval performed. Additionally, supporting documentation was not maintained for all expenditures.

*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 sufficient records 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. Sound internal control procedures should include a documented review and approval process for expenditures to ensure that funds are used appropriately and in accordance with program requirements.

*Cause of condition:* Procedures are in place which require all federal program expenditures to be reviewed and approved by appropriate personnel and supported by appropriate documentation. However, due to turnover of key personnel, these procedures were not appropriately followed.

*Effect of condition:* Without proper review and approval of expenditures and maintenance of supporting documentation, there is an increased risk of noncompliance with federal regulations.

*Context:* A total of 20 non-payroll expenditures were selected for testing of the Education Stabilization Fund. Of these, 16 expenditures lacked evidence of review or approval. These expenditures total \$1,017,291. Additionally, management was unable to provide adequate supporting documentation for 1 of the 20 non-payroll expenditures selected for testing totaling \$200.

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

**YEAR ENDED JUNE 30, 2024**

*Recommendation:* To ensure that non-payroll expenditures charged to federal award programs are accurate, all expenditures should be reviewed and approved by the appropriate School personnel. Documentation of this review and approval should be maintained. Furthermore, expenditures paid with federal funds should be reviewed and approved by personnel with the appropriate training necessary to identify allowable expenditures. We also recommend that the Federal Program Director position is filled by an individual that has training and knowledge of the federal program they are administering.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place for the review and approval of expenditures and maintenance of supporting documentation surrounding federal awards.

*Action Plan:*

- See the “Conduct Training Sessions for Expenditures Personnel” and “Audit of all FY25 YTD Expenditures” sections of management’s action plan for finding 2024-001
- Review and update the Allowable Funds document
  - Locate the latest Allowable Funds Guide created by KIPP Delta.
  - Review and update the guide as necessary.
  - Store the updated guide in a central cloud location for responsible personnel to access easily.
  - Process completed as of April 17, 2025.
- Develop a Federal Funds Workflow in Avid for POs and invoices:
  - A designated finance team member must review all federally funded purchases to improve the federal funds purchasing process. Steps include:
    - Create a separate workflow in Avid for POs and invoices to track federal purchases.
    - Ensure a purchase order is created before an invoice is submitted and paid.
    - Attach all required documentation to the PO, as with all other expenditures.
    - Verify that the expenditure complies with the Allowable Funds guide
  - Anticipated completion date of May 30, 2025.

**2024-005 Maintenance of Time Certifications**

*Statement of condition:* Time certifications that support salaries and wages charged to the Education Stabilization program were not maintained.

*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.

*Cause of condition:* Policies and procedures are in place which require time certifications to be maintained for all employees paid from federal funds. However, due to turnover of key personnel, these policies and procedures were not followed in the current year.

*Effect of condition:* Without proper documentation, it cannot be verified that salaries and wages charged to the Education Stabilization program were based on actual time spent on allowable program-related activities.

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

**YEAR ENDED JUNE 30, 2024**

*Context:* Time certifications were not maintained for any employees paid from Education Stabilization Funds. This resulted in questioned costs of \$2,548,644.

*Recommendation:* To ensure that salaries and wages charged to federal award programs are accurate, time certifications should be maintained for all employees paid from federal funds. All time certifications should be signed by the employee and reviewed and approved by the appropriate School personnel, as evidenced by the School personnel's signature. We also recommend that the Federal Program Director position is filled by an individual that has training and knowledge of the federal program they are administering.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place for the review and approval of time certifications.

*Action Plan:*

- Review current staffing for employees paid with federal funds:
  - To ensure accurate financial reporting, the Finance Team must establish a structured filing system within Google Drive/Team Sheets under Payroll with the following structure: [FY25 / Time Certifications].
    - Subfolder Structure:
      - Semi-Annual Time Certs
      - Monthly Time Certs
      - Time Certs Internal Audit
    - Time Certs Internal Audit
      - Download the Detail Distribution Report for the current year to date.
      - Add a column identify the Source of Funds based on budget unit coding.
      - Create a Pivot Table using the Source of Funds column, employee names, and amounts.
      - Time Certification Requirements: Employees paid with federal funds must complete time certifications.
        - Less than 100% federal funded: Monthly time certification required.
        - 100% federally funded: Semi-annual time certification required.
        - One-time stipend from federal funds: No time certification required, but the offer letter documenting the stipend must be saved.
      - Anticipated completion date of May 15, 2025, with an updated monthly review.
- Create, review, and secure signatures for time certs:
  - All time certifications must be created, reviewed, and signed by both the employee and supervisor as soon as possible.
    - If a time certification is not received, a payroll redistribution will be required to move the salary out of the federal fund – this is not ideal and should be avoided.
  - Timely completion ensures compliance and prevents unnecessary adjustments.

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

**YEAR ENDED JUNE 30, 2024**

- Anticipated completion date of May 15,2025, with an updated monthly review.
- Conduct a quarterly audit of time certifications and federally funded payroll records:
  - As stated above, if a time certification is not received, a payroll redistribution will be required to move the salary out of the federal fund, which is not ideal and should be avoided.
  - The anticipated completion date is May 20, 2025, with an updated monthly review.

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

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

**2024-006 Maintenance and Review and Approval of Time Certifications**

*Statement of condition:* Time certifications that support salaries and wages charged to Title I, Part A were not maintained for all employees. Of the time certifications that were maintained, not all showed 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.

*Cause of condition:* Policies and procedures are in place which require time certifications to be maintained for all employees paid from federal funds. However, due to turnover of key personnel, these policies and procedures were not followed in the current year.

*Effect of condition:* Without proper documentation, it cannot be verified that salaries and wages charged to Title I, Part A were based on actual time spent on allowable program-related activities.

*Context:* A sample of 40 employees paid with Title I, Part A funds were selected for testing. The audit testing found that time certifications were not maintained for 22 of the 40 employees. This resulted in questioned costs of \$40,403. Additionally, the audit testing found that one employee's time certification had no evidence of review and approval from appropriate School personnel.

*Recommendation:* To ensure that salaries and wages charged to federal award programs are accurate, time certifications should be maintained for all employees paid from federal funds. All time certifications should be signed by the employee and reviewed and approved by the appropriate School personnel, as evidenced by the School personnel's signature. We also recommend that the Federal Program Director position is filled by an individual that has training and knowledge of the federal program they are administrating.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place for the maintenance, review, and approval of time certifications. See 2024-005 for management's detailed action plan surrounding the time certification findings.

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

**YEAR ENDED JUNE 30, 2024**

**SIGNIFICANT DEFICIENCIES**

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

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

**2024-007 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 HVAC units and various other 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.

*Action Plan:*

- Develop a workbook to document all property records in compliance with CFR requirements.
  - Create a spreadsheet with the required fields (i.e., item description, acquisition date, cost, funding source, location, condition, disposal status).
  - Align data fields with CFR property requirements.
  - The anticipated completion date is May 30, 2025, with an updated monthly review.

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

**YEAR ENDED JUNE 30, 2024**

- Extract fixed asset purchase records from eFinance and compare them to the latest audit fixed asset listing.
  - Pull all of the fixed asset account codes since the last completed audit (FY22).
  - Priority- focus on items purchased with federal funds.
  - The anticipated completion date is May 30, 2025, with an updated monthly review.
- Conduct a physical inventory to verify the present of all listed assets.
  - Use the workbook developed above as the inventory list to begin physical inventory.
  - Designate staff to conduct physical verification.
  - Check each item's presence, condition, and tag number against records
  - Use asset tags or serial numbers for tracking.
  - Note missing, unrecorded, or damaged assets for follow-up.
  - Adjust the property workbook as needed.
  - Submit a summary of discrepancies and corrective actions to the Executive Director.
  - The anticipated completion date is June 30, 2025, with an updated monthly review.
- Update the workbook with required details for assets still in possession.
  - Record all property purchased with federal funds, ensuring accuracy and completeness.
  - Regularly review, update, and reconcile records with physical inventory.
  - Save in a shared, secure cloud location for easy access and audit readiness.
  - Anticipated completion date of July 15, 2025, with an updated monthly review.
- Write off any assets listed by not physically accounted for.
  - Follow the proper steps to write off assets in eFinance. For assistance, refer to the eFinance instructions and APSCN help desk.
  - Anticipated completion date of July 15, 2025, with an updated monthly review.
- Establish procedures for conducting this process and maintaining records annually.
  - Set up a recurring annual timeline for physical asset verification.
  - Develop consistent forms and tracking sheets for inventory records.
  - Designate personnel to conduct, review, and reconcile inventory.
  - Conduct physical audits regularly.
  - Update and maintain records.
  - Annually assess and refine procedures for efficiency and compliance.
  - Anticipated completion date of July 31, 2025, with an updated monthly review.

**2024-008 Physical Inventory of Property**

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

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

**YEAR ENDED JUNE 30, 2024**

*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.

*Cause of condition:* A physical inventory of property was planned for the current fiscal year, however, due to 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 HVAC units and various other 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). We also recommend that the Federal Program Director position is filled by an individual that has training and knowledge of the federal program they are administrating.

*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 very two years. See 2024-007 for management's detailed action plan surrounding the property findings.

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

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

**2024-009 Improper Allocation of Salaries and Wages**

*Statement of condition:* The allocation of salaries and wages charged to the Title I, Part A 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 Title I, Part A funds were not supported by time certifications which state actual time worked by program for each employee.

*Context:* A sample of 40 employees paid with Title I, Part A 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 \$3,225.

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

**YEAR ENDED JUNE 30, 2024**

*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 federal programs. See 2024-005 for management's detailed action plan surrounding the time certification findings.

**2024-010 Assessment System Security**

*Statement of condition:* Management was unable to provide evidence of formal policies or procedures governing test security or the administration of assessments.

*Criteria:* According to Title I, Section 1111(b)(2)(B)(iii) of the ESEA (Elementary and Secondary Education Act), federal grantees are required to establish and maintain an assessment system that is valid, reliable, and consistent with relevant professional and technical standards. Within their assessment system, they must have policies and procedures to maintain test security and ensure that those policies and procedures are implemented.

*Cause of condition:* Management was unable to provide evidence of whether policies and procedures were in place to ensure that test security measures were implemented.

*Effect of condition:* The School does not appear to be in compliance with federal regulations surrounding test security and assessment administration.

*Context:* Per discussion with management, there is no evidence of formal policies or procedures governing test security or assessment administration.

*Recommendation:* To ensure compliance with federal regulations, we recommend the School develop and implement formal policies and procedures for test security and assessment administration.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place to implement and maintain evidence of formal policies or procedures governing test security or assessment administration.

*Action Plan:*

- Create a Google Drive to house all training and certificates.
  - Each employee conducting testing must attend training and sign an agreement that they will follow the procedures to be a testing coordinator.
  - Additional accuracy audits will be conducted periodically to ensure that all testing administrators are in compliance with the state guidelines.
- Implemented process as of April 1, 2025, with an ongoing monthly review.

**2024-011 Allocation of Funds to Eligible Schools**

*Statement of condition:* Management was unable to provide sufficient documentation evidencing the proper allocation of funds in accordance with federal ranking and allocation requirements.

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

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

**YEAR ENDED JUNE 30, 2024**

*Criteria:* Under Title I, Part A of the Elementary and Secondary Education Act (ESEA), funds must be allocated to eligible schools in rank order based on the percentage of students from low-income families. The allocation process must ensure that the highest-poverty schools, those above 75 percent poverty, are served before any schools with a poverty percentage at or below 75 percent. Sufficient documentation must be maintained to verify compliance with these requirements. According to federal regulations, school districts must provide clear documentation and justification for the allocation process.

*Cause of condition:* The School did not allocate funds to eligible schools in rank order. Schools with poverty levels below 75 percent were allocated more funds per pupil than schools with poverty levels above 75 percent, and management was unable to produce supporting documentation and justification regarding the allocation of funds.

*Effect of condition:* Without proper documentation of the allocation of Title I, Part A funds, it is difficult to determine whether the School is in compliance with federal requirements. It cannot be verified that funds were correctly allocated in accordance with the poverty ranking of eligible schools. Additionally, failure to allocate funds properly could lead to the under-serving of eligible students, impacting educational opportunities for students from low-income families.

*Context:* Management provided documentation of their 2023-2024 Title I, Part A budget that was entered into the Federal Grant Management System. According to the provided documentation, schools with poverty levels below 75 percent were allocated more funds per pupil than schools with poverty levels above 75 percent. Additionally, there was \$751,709 of available funds that were not allocated to schools.

*Recommendation:* The School should implement a process to ensure all Title I, Part A funds are properly allocated to eligible schools in accordance with the federal ranking requirements. Furthermore, the School should maintain detailed documentation and justification for any unallocated funds to ensure transparency and accountability.

*Views of responsible officials and planned corrective actions:* Management agrees with this finding and will put procedures in place to ensure the proper allocation of funds and maintain sufficient documentation evidencing the proper allocation.

*Action Plan:*

- The school will ensure that all monies for Title I funding are allocated correctly and based on percentages that comply with the federal ranking requirements.
- The school will also properly document unallocated funds and provide adequate justifications to ensure transparency and accountability.
- The allocation review will be implemented by April 30, 2025, with a monthly review.

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

**MATERIAL WEAKNESS**

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

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

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

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

**YEAR ENDED JUNE 30, 2024**

*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.

*Current Status:* Recommendation was not implemented in 2024. See similar finding noted in the 2024 audit at 2024-001.

**SIGNIFICANT DEFICIENCIES**

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

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

*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.

*Current Status:* Recommendation was not implemented in 2024. See similar finding noted in the 2024 audit at 2024-001.

**2023-003 Bank Reconciliation**

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

*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.

*Current Status:* Recommendation was not implemented in 2024. See similar finding noted in the 2024 audit at 2024-002.

**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, 2024**

*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.

*Current Status:* Recommendation was not implemented in 2024. See similar finding noted in the 2024 audit at 2024-004.

**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.

*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 2024. See similar finding noted in the 2024 audit at 2024-007.

**2023-006 Physical Inventory of Property**

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

*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).

*Current Status:* Recommendation was not implemented in 2024. See similar finding noted in the 2024 audit at 2024-008.

**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.

*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.

*Current Status:* Recommendation was not implemented in 2024. See similar finding noted in the 2024 audit at 2024-009.

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

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

**YEAR ENDED JUNE 30, 2024**

**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.

*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.

*Current Status:* Recommendation was not implemented in 2024. See similar findings noted in the 2024 audit at 2024-005 and 2024-006.

**2023-009 Maintenance of Employee Contracts**

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

*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.

*Current Status:* The recommendation was implemented in 2024. No similar findings were noted in the 2024 audit.



## **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, 2024. 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, 2024.

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  
April 29, 2025

**Little Rock Office**  
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**PHONE:** (501) 221-1000 | **FAX:** (501) 221-9236

**hcjcpa.com**

**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, 2024**

<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>	
• School Debt	6-20-402
• District School Bonds	6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Investment of Funds	19-1-504
<b>Management of Schools</b>	
• Board of Directors	6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-13-622
• 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>Classified Employees</b>	6-17-2201 et seq.; 6-17-2301 et seq.
<b>School Elections</b>	6-13-630; 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 et seq.
• Employment and Assignment	6-17-301 et seq.
• Teacher's Licensure/Background Checks	6-17-401 et seq.
• Teacher Contracts	6-17-801 et seq.
• Employee Sick Leave	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; 6-17-2401 et. seq.
<b>Education Excellence Trust Fund</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
<b>On Behalf Payments</b>	The amounts of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees

**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, 2024**

<b><u>DESCRIPTION</u></b>	<b><u>STATUTES</u></b>
<b>Regulatory Basis of Accounting</b>	10-4-413(c)
<b>Real Estate and Personal Property Tax Appeals</b>	26-35-802
<b>School District Procurement Law</b>	6-21-301 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>	<a href="https://dese.ade.arkansas.gov/Offices/Federal-Programs/federal-programs/cares-act-crrsa-act-and-american-rescue-plan-arp-act">https://dese.ade.arkansas.gov/Offices/Federal-Programs/federal-programs/cares-act-crrsa-act-and-american-rescue-plan-arp-act</a>
<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, 2024**

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: Kevin Smith, Interim Executive Director
6. Name of Contact Person: Kevin Smith, Interim Executive Director