

**PREMIER HIGH SCHOOL OF
NORTH LITTLE ROCK**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTAL INFORMATION**

JUNE 30, 2022

(WITH INDEPENDENT AUDITOR'S REPORTS THEREON)

**PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
ANNUAL FINANCIAL REPORT
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YEAR ENDED JUNE 30, 2022**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of
Premier High School of North Little Rock
Little Rock, Arkansas

Opinions

We have audited the accompanying financial statements of Premier High School of North Little Rock (the Charter School), which comprise the balance sheets—governmental funds—regulatory basis as of June 30, 2022, the related statements of revenues, expenditures and changes in fund balances—governmental funds—regulatory basis for the year then ended, and the related statements of revenues, expenditures and changes in fund balances—budget and actual—general and special revenues funds—regulatory basis for the year then ended, and the related notes to the financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fund balances of the Charter School as of June 30, 2022, and its revenue and expenditures for the year then ended, in accordance with the regulatory basis financial reporting practices included in the Arkansas Code Annotated §10-4-413(c) and described in Note 1.

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 in the first paragraph do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Charter School as of June 30, 2022, or the changes in its fund balances for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Charter 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 unmodified audit opinion on the regulatory basis of accounting.

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

As described in Note 1, the financial statements are prepared by the Charter School in accordance with the financial reporting provisions of Arkansas Code Annotated §10-4-413(c), which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Arkansas Department of Education. 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 provisions of Arkansas Code Annotated §10-4-413(c). Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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 opinion. 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 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 a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted 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 Charter 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 Charter School's ability to continue as a going concern for a reasonable period of time.

The Board of Trustees
Premier High School of North Little Rock

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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

Disclaimer of Opinion on Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of capital assets (unaudited), which is the responsibility of management, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2022, on our consideration of the Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter 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 Charter School's internal control over financial reporting and compliance.

Report on Other Legal and Regulatory Requirements

In accordance with guidelines published by the Arkansas Department of Education, we have issued our report dated December 20, 2022, on management of Premier High School of North Little Rock's assertion that the Charter School complied with the requirements of Arkansas Code Annotated §6-1-101 and the applicable laws and regulations, included those listed in the schedule of statutes required to be addressed. The purpose of that report is solely to describe the scope of our testing of management's assertion of compliance with these requirements and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with the Arkansas Department of Education's audit requirements.



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
December 20, 2022

REGULATORY BASIS FINANCIAL STATEMENTS

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
BALANCE SHEETS - GOVERNMENTAL FUNDS - REGULATORY BASIS
JUNE 30, 2022

	Governmental Funds	
	Major	
	General	Special Revenue
ASSETS		
Cash	\$ 717,192	\$ 44,726
Accounts receivable	-	99,620
TOTAL ASSETS	717,192	144,346
LIABILITIES AND FUND BALANCES		
Liabilities		
Accrued payroll and related expenditures	16,377	13,568
Total Liabilities	16,377	13,568
Fund Balances		
Restricted	-	130,778
Unassigned	700,815	-
Total Fund Balances	700,815	130,778
TOTAL LIABILITIES AND FUND BALANCES	\$ 717,192	\$ 144,346

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

	Governmental Funds	
	Major	
	General	Special Revenue
REVENUES		
State assistance	\$ 1,101,914	\$ 206,176
Federal assistance	-	322,942
Private assistance	-	28
Other local revenue	3,982	3,772
Total Revenues	1,105,896	532,918
EXPENDITURES		
Instructional services	138,065	235,167
Instructional support services	48,727	82,733
General administration	134,770	-
School administration	174,599	13,362
Central services	135,860	40,006
Operation and maintenance of plant	156,668	30,145
Food services	-	36,776
Total Expenditures	788,689	438,189
EXCESS OF REVENUES OVER EXPENDITURES	317,207	94,729
OTHER FINANCING SOURCES (USES)		
Operating transfer between funds	8,214	(8,214)
NET CHANGE IN FUND BALANCES	325,421	86,515
FUND BALANCES - BEGINNING OF YEAR	375,394	44,263
FUND BALANCES - END OF YEAR	\$ 700,815	\$ 130,778

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL AND SPECIAL REVENUE FUNDS – REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 1,062,521	\$ 1,101,914	\$ 39,393	\$ 202,167	\$ 206,176	\$ 4,009
Federal assistance	-	-	-	669,650	322,942	(346,708)
Private assistance	-	-	-	-	28	28
Other local revenue	50,342	3,982	(46,360)	15,544	3,772	(11,772)
Total Revenues	<u>1,112,863</u>	<u>1,105,896</u>	<u>(6,967)</u>	<u>887,361</u>	<u>532,918</u>	<u>(354,443)</u>
EXPENDITURES						
Instructional services	236,075	138,065	98,010	389,487	235,167	154,320
Instructional support services	47,870	48,727	(857)	132,330	82,733	49,597
General administration	74,147	134,770	(60,623)	9,213	-	9,213
School administration	212,901	174,599	38,302	23,103	13,362	9,741
Central services	177,428	135,860	41,568	154,104	40,006	114,098
Operation and maintenance of plant	343,570	156,668	186,902	63,388	30,145	33,243
Food services	-	-	-	47,090	36,776	10,314
Community services	-	-	-	1,000	-	1,000
Total Expenditures	<u>1,091,991</u>	<u>788,689</u>	<u>303,302</u>	<u>819,715</u>	<u>438,189</u>	<u>381,526</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	20,872	317,207	296,335	67,646	94,729	27,083
OTHER FINANCING SOURCES (USES)						
Operating transfer between funds	5,454	8,214	2,760	(621)	(8,214)	(7,593)
Total Other Financing Sources (Uses)	<u>5,454</u>	<u>8,214</u>	<u>2,760</u>	<u>(621)</u>	<u>(8,214)</u>	<u>(7,593)</u>
NET CHANGE IN FUND BALANCES	<u>\$ 26,326</u>	<u>\$ 325,421</u>	<u>\$ 299,095</u>	<u>\$ 67,025</u>	<u>\$ 86,515</u>	<u>\$ 19,490</u>

See accompanying notes to financial statements.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Premier High School of North Little Rock (the Charter School) is an open-enrollment public charter school established by ResponsiveEd Texas (formerly Responsive Education Solutions, Inc.), a nonprofit organization incorporated under the laws of the State of Texas.

ResponsiveEd Texas (the sponsoring organization, hereinafter referred to as RTX), a nonsectarian tax-exempt organization, was granted a charter by the Arkansas State Board of Education (the State Board) effective July 1, 2019, to operate an open-enrollment charter school through June 30, 2024. The Charter School, which is operated by RTX in accordance with the ADE Rules and Regulations Governing Charter Schools, offers educational opportunities to students in grade levels from ninth through twelfth grade with an enrollment cap of 240.

As discussed in Note 8, the Charter School is a party to certain agreements and shares certain common board members with RTX and Blue Learning (formerly known as Responsive Education School Services). Blue Learning provides management functions in addition to RTX. Also, the Charter School shares common board members with Founders Classical Academies of Arkansas, Premier High Schools of Arkansas (formerly known as Premier High School of Little Rock), and Premier High School of Springdale, hereinafter referred to as the Related Charter Schools.

These financial statements include only balances and transactions directly attributable to the Charter School. They do not include any balances or transactions attributable to RTX, Blue Learning, or the Related Charter Schools other than amounts due from or due to these organizations.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

These financial statements are prepared in accordance with a regulatory basis of accounting. This basis of accounting is prescribed by Arkansas Code Annotated §10-4-413(c), as set forth in the Arkansas Department of Education *Rules Governing the Regulatory Basis of Accounting* (RBA), which requires that financial statements be presented on a fund basis with, at 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 - regulatory basis; a statement of revenues, expenditures, and changes in fund balances – regulatory basis; a comparison of the final adopted budget to the actual expenditures for the general fund of the entity and the special revenue fund of the entity; notes to the financial statements; and an unaudited supplemental schedule of capital assets that includes land, buildings and equipment. The law further stipulates that the State Board shall promulgate the rules necessary to administer the RBA.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The RBA is not in accordance with U.S. generally accepted accounting principles (U.S. GAAP). U.S. GAAP require the following major concepts: management's discussion and analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, 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.

Fund Accounting

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses.

Major governmental funds (per the RBA) are defined as General and Special Revenue.

- a. **The General Fund** – The General Fund is used to account for and report all financial resources and operating expenditures, except those that are required to be reported in the special revenue fund.
- b. **The Special Revenue Fund** – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are legally restricted or committed to expenditures for specified purposes. The Special Revenue Fund includes federal and state revenues and related expenditures restricted for educational programs or projects. The Special Revenue Fund also includes activity funds in which the Charter School has administrative involvement in accordance with Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*.

The Charter School had no other funds during the year ended June 30, 2022.

Other Accounting Policies

- a. **Revenue Recognition** – Revenues are recognized when they become susceptible to accrual in accordance with the RBA.
- b. **Interfund Receivables and Payables** – Receivables and payables resulting from short-term interfund advances are classified as due to or due from other funds. As of June 30, 2022, there were no due to or due from other funds.
- c. **Capital Assets** – Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at estimated fair value when received.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned or unassigned. Non-spendable fund balance represents amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Committed fund balance represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Charter School's governing body. Assigned fund balance represents amounts that are constrained by the Charter School's intent to be used for specific purposes, but are neither restricted nor committed. Unassigned fund balance consists of the net resources in excess of amounts classified as non-spendable, restricted, committed or assigned. As of June 30, 2022, there were no non-spendable, committed, or assigned fund balances.

The Charter School's highest level of decision-making authority is its Board of Directors. The establishment of amounts classified as committed fund balances and subsequent modifications to such balances are the result of formal actions taken by the Charter School's Board of Trustees through a resolution or adoption of board policy.

The Charter School's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balance of these sources of funds are combined to derive the Charter School's total fund balance by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted funds. The Charter School's policy is to use restricted fund balances first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

Budgetary Data

The Charter School is required by state statute to prepare an annual budget. The budget is required to be approved by the Charter School's Board and submitted to the ADE no later than September 30 of each year. Budget amendments, if any, are not required to be submitted for approval to ADE. The Charter School's budget is prepared utilizing the RBA. 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.

Estimates

The preparation of financial statements in conformity with the RBA requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities and various disclosures in the financial statements. Accordingly, actual results could differ from those estimates.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – CASH

The Charter School's cash consists of demand deposits maintained at a financial institution. State statutes require that the Charter School's funds be deposited in banks located in the State of Arkansas and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized. In the event of an institutional failure, any excess cash balances over FDIC insurance may not be recoverable. The Charter School received a waiver of the requirement for the situs of the bank from the ADE allowing it to maintain cash balances at a financial institution in Texas. The Charter School's bank has an agreement to hold collateral to insure bank deposit balances of all state and federal funds that exceed FDIC limits. The Charter School's cash is maintained in a demand deposit account that is shared with the Related Charter Schools. At June 30, 2022, the bank balance of the combined demand deposit account totaled \$5,120,451, which was fully collateralized.

NOTE 3 – ACCOUNTS RECEIVABLE

The accounts receivable balance of \$99,620 at June 30, 2022, was comprised of grant balances receivable in the Special Revenue fund.

NOTE 4 – ACCRUED PAYROLL AND RELATED EXPENDITURES

Charter School teachers are employed from August 2021 through June 2022, which is the academic school year. Teachers may elect to be paid over a 12-month period. As of June 30, 2022, the Charter School has recorded a liability for the unpaid salaries in the general and special revenue funds in the amounts of \$16,377 and \$13,568, respectively, for those employees paid on a 12-month period.

NOTE 5 – LEASE COMMITMENTS

The Charter School conducts its administrative and school activities from a facility under a lease agreement between the Charter School and Blue Learning that began in October 2019 and was scheduled to terminate in September 2024. On October 31, 2020, the lease was terminated for a new lease agreement between the Charter School and RTX that began in November 2020 with no termination date. The agreement requires monthly payments of \$4,800 through the end of the lease term. The Charter School has the option to terminate the lease at any time, provided at least thirty days written notice is given to RTX of such intent. Upon early termination, the Charter School will be required to reimburse RTX for any unamortized amount of tenant improvement cost, if any have been paid for by the landlord.

In addition, the Charter School operated a second facility under a lease agreement with Blue Learning that began in July 2020 and terminates in March 2026. The agreement requires monthly payments of \$1,800 through the end of the lease term. The Charter School has the option to terminate the lease at any time, provided at least thirty days written notice is given to Blue Learning of such intent. Upon early termination, the Charter School will be required to reimburse Blue Learning for any unamortized amount of tenant improvement cost, if any have been paid for by the landlord.

Rental expense amounted to \$79,625 for the year ended June 30, 2022.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 - RETIREMENT PLAN

Plan Description

The Charter School participates in the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public and charter school employees, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by state law and can be amended only by the Arkansas General Assembly. The ATRS 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.

Funding Policy

ATRS has contributory and non-contributory plans. Contributory members are required by state law to contribute 6.75% of their salaries. Each participating employer is required by state law to contribute at a rate determined by the ATRS Board of Trustees, based on the annual actuarial valuation. The employer rate at June 30, 2022, is 14.75% of covered salaries. The Charter School's contributions to ATRS for the year ended June 30, 2022, were approximately \$61,400, which were equal to the required contributions.

Net Pension Liability

The ADE has stipulated that the requirements of GASB No. 68 under RBA are limited to disclosure of the Charter School's proportionate share of the collective net pension liability. The Charter School's proportionate share of the collective net pension liability as of June 30, 2021, (the most recent actuarial valuation date and measurement date) was \$214,487.

NOTE 7 – ON BEHALF PAYMENTS

During the year ended June 30, 2022, health insurance premiums of \$9,180 were paid by the ADE on behalf of Charter School employees. This amount is not included in revenues or expenditures in the Charter School's financial statements.

NOTE 8 – ACADEMIC AND BUSINESS SERVICES AGREEMENT

RTX and Blue Learning provide the Charter School with personnel and certain services including implementing educational programs, personnel management, facility and property management, business administration, budgeting and financial reporting, financial management, maintenance of records, pupil recruitment and admissions, family services, student discipline, annual reports, teacher training and professional development, charter renewal, public and governmental relations and any other services which may be agreed to in writing.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – ACADEMIC AND BUSINESS SERVICES AGREEMENT (CONTINUED)

These services are provided pursuant to management agreements and related amendments (the Agreements) executed between RTX and Blue Learning and the Charter School. The Agreements provide that RTX and Blue Learning are entitled to receive management fees equal to a percentage of the Charter School's state foundation funding. During the year ended June 30, 2022, management fees to RTX and Blue Learning from the Charter School were \$147,827.

NOTE 9 – RELATED PARTY TRANSACTIONS AND BALANCES

The Related Charter Schools and RTX share employees and other expenses. These transactions create payables/receivables between the Related Charter Schools and RTX. There were no related party payable or receivables between the Related Charter Schools and RTX as of June 30, 2022. The Charter School participates in academic and business service agreements with RTX and Blue Learning, as described in Note 8.

NOTE 10 – RISK MANAGEMENT

The Charter School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees and students; and natural disasters. The Charter School has purchased commercial insurance to address these risks.

NOTE 11 – CONCENTRATIONS

The Charter School is economically dependent on funding received through state awards. During the year ended June 30, 2022, approximately 80% of total revenues were from state awards.

NOTE 12 – SUBSEQUENT EVENTS

The Charter School has evaluated events through December 20, 2022, the date on which the financial statements were available to be issued, and has determined that the following disclosure is necessary.

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has negatively impacted the global economy and created significant volatility and disruption in people's lives. In response to the COVID-19 pandemic, the United States Congress passed a Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and other aid packages designed to help the economy as it suffers from the effects of the COVID-19 pandemic. The various acts also included substantial supplemental funding designed to assist educational institutions during this uncertain time.

INTERNAL CONTROL AND COMPLIANCE SECTION



**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 Trustees of
Premier High School of North Little Rock
Little Rock, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund of Premier High School of North Little Rock (the “Charter School”) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Charter School’s regulatory basis financial statements, and have issued our report thereon dated December 20, 2022. We issued an adverse opinion because the Charter School prepared the financial statements on the regulatory basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America (U.S. GAAP). The effects on the financial statements of the variances between the regulatory basis of accounting and U.S. GAAP, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund of the Charter School as of June 30, 2022, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Charter School’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter School’s internal control.

Report on Internal Control over Financial Reporting (continued)

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 Charter School's regulatory basis financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter School's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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



CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
December 20, 2022

**PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2022**

SECTION I – Summary of Auditor’s Results

Financial Statements

Type of auditor’s opinion issued:	U.S. GAAP Basis - Adverse Regulatory Basis - Unmodified
Internal control over financial reporting:	
Material weaknesses identified?	None Reported
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to the financial statements noted?	None Reported

**PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2022**

**Prior year findings related to the financial statements which were required to be reported in accordance with
*Government Auditing Standards:***

There were no findings or questioned costs in the June 30, 2021, audit relating to *Government Auditing Standards*.

OTHER INFORMATION

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF CAPITAL ASSETS (UNAUDITED)
JUNE 30, 2022

DEPRECIABLE CAPITAL ASSETS

Equipment	\$ 165,219
Furniture	2,240
Leasehold improvements	6,735
Licensed Vehicles	121,000
Accumulated Depreciation	<u>(75,153)</u>

TOTAL DEPRECIABLE CAPITAL ASSETS, NET

\$ 220,041

OTHER REQUIRED REPORTS

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

To the Board of Trustees of
Premier High School of North Little Rock
Little Rock, Arkansas

We have examined management of Premier High School of North Little Rock's (the "Charter School") assertion that the Charter School 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, 2022. The Charter School's management is responsible for its assertion. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertion. The nature, timing, and extent of the procedures selected depend on our judgment, 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 Charter School and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Charter School's compliance with specified requirements.

In our opinion, management's assertion that the Charter School complied with the aforementioned requirements is fairly stated, in all material respects.

This report is intended solely for the information and use of the Board of Trustees, management, and the Arkansas Department of Education and is not suitable for any other purpose.

Thomas & Thomas PLLC
CERTIFIED PUBLIC ACCOUNTANTS

Texarkana, Texas
December 20, 2022

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2022

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et. seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	6-20-402
• Bonded & Non-bonded Debt, District School Bonds	6-20-1201-6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-24-101 et. seq.
• District Treasurer	6-13-701
o Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et. seq.
Salary Laws – Classified	6-17-2201 et. seq.; 6-17-2301 et. seq.
Salary increases 5% or more (certified & classified)	6-13-635
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et. seq., 6-17-2301
• Employment and Assignment	6-17-301 et. seq.
• Teacher's License Requirement	6-17-401 et. seq.
• Contracts	6-17-801 et. seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et. seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et. seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218, 11-4-403, 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District’s employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et. seq.
Fiscal Accountability	6-20-1901, et. seq.

PREMIER HIGH SCHOOL OF NORTH LITTLE ROCK
SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION
TO BE ADDRESSED IN INDEPENDENT ACCOUNTANT’S REPORT ON COMPLIANCE
YEAR ENDED JUNE 30, 2022
(CONTINUED)

<u>DESCRIPTION</u>	<u>STATUTES</u>
Enhanced Student Achievement Funding ESA	6-20-2305(B)(4)(F)(i)
Limitation of Fund Balances	6-20-2210
CARES Act (COVID-19) Education Funding	Commissioner’s Memo LS-20-089
Charter Facilities Funding	6-23-908

The Annual Financial Report shall be presented in conformity with the format and guidelines as prescribed by the appropriate professional organizations. The financial statement presentation shall be in compliance with Arkansas Codes §§ 6-1-101 and 10-4-413(c).

The financial statement presentation must also be in accordance with GASB 84, 90, 93, Implementation Guide 2019-1 and Implementation Guide 2019-2.