

Arkansas Military and First Responders Academy

Pulaski County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2024



ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
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Arkansas



Sen. Jim Petty
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Sen. Jim Dotson
Senate Vice Chair

Rep. Robin Lundstrum
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Military and First Responders Academy and Academy Board Members
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Arkansas Military and First Responders Academy (the "Academy"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Academy's regulatory basis financial statements as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the Academy as of June 30, 2024, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 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 accompanying 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 Academy as of June 30, 2024, or the changes in financial position 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Academy, 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 opinions.

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

As described in Note 1 of the financial statements, the financial statements are prepared by the Academy on the basis of the financial reporting provisions of Ark. 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.

Emphasis of Matter

As discussed in Note 11, on April 14, 2025, the Arkansas State Board of Education accepted the decision of the Arkansas Department of Education Charter Authorizing Panel's approval of the Academy's request to voluntarily release their charter to Exalt Academy of Southwest Little Rock. Our opinion is not modified with respect to this matter.

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 Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. 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 Academy's ability to continue as a going concern for 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 GAAS 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 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 GAAS 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 Academy'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 Academy'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 findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's regulatory basis financial statements. 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, is presented for purposes of additional analysis and is 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. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Capital Assets but does not include the regulatory basis financial statements, supplementary information, and our auditor's report thereon. Our opinions on the regulatory basis 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 basis financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the regulatory basis 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 21, 2025 on our consideration of the Academy'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 Academy'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 Academy's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
April 21, 2025
EDCS05124

Arkansas



Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair

Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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*

INDEPENDENT AUDITOR'S REPORT

Arkansas Military and First Responders Academy and Academy Board Members
Legislative Joint Auditing Committee

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 (*Government Auditing Standards*), the financial statements of each major governmental fund and the aggregate remaining fund information of the Arkansas Military and First Responders Academy (the "Academy"), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Academy's regulatory basis financial statements, and have issued our report thereon dated April 21, 2025. We issued an adverse opinion because the Academy prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the Academy as of June 30, 2024, 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 Academy's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Academy's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2024-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Academy's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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*.

Academy's Response to Finding

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
April 21, 2025

Arkansas



Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Arkansas Military and First Responders Academy and Academy Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Arkansas Military and First Responders Academy's (the "Academy") 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 Academy's major federal programs for the year ended June 30, 2024. The Academy's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Academy complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2024.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

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 Academy's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *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 Academy'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 Academy'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 Academy'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.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-001, to be a material weakness.

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 Academy's response to the internal control over compliance finding identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Academy'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.

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
April 21, 2025

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2024

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
ASSETS			
Cash			\$ 1
Accounts receivable		\$ 132,729	2,155
Due from other funds	\$ 62,921		
TOTAL ASSETS	\$ 62,921	\$ 132,729	\$ 2,156
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 3,499	\$ 67,477	
Due to other funds		62,921	
Overdraft	14,912		
Total Liabilities	18,411	130,398	
Fund Balances:			
Restricted	668	2,331	\$ 2,156
Assigned	7,934		
Unassigned	35,908		
Total Fund Balances	44,510	2,331	2,156
TOTAL LIABILITIES AND FUND BALANCES	\$ 62,921	\$ 132,729	\$ 2,156

The accompanying notes are an integral part of these financial statements.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 614,188	\$ 509	\$ 36,626
Federal assistance		1,068,961	
Activity revenues	19,373		
Meal sales		1,583	
Investment income	12		
Other revenues	43,468		
TOTAL REVENUES	677,041	1,071,053	36,626
EXPENDITURES			
Regular programs	686,057	574,556	
Special education	33,974		
Compensatory education programs	7,065	7,956	
Student support services	66,332	26,571	
Instructional staff support services	30,371	61,752	
General administration support services	166,287	4,092	
School administration support services	83,324		
Central services support services	50,122	146,771	
Operation and maintenance of plant services	181,450	58,322	34,470
Student transportation services	193,615	160,799	
Food services operations	8,100	32,298	
Activity expenditures	11,439		
TOTAL EXPENDITURES	1,518,136	1,073,117	34,470
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(841,095)	(2,064)	2,156
OTHER FINANCING SOURCES (USES)			
Transfers in		4,395	
Transfers out	(4,395)		
Grant from private source	890,000		
TOTAL OTHER FINANCING SOURCES (USES)	885,605	4,395	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	44,510	2,331	2,156
FUND BALANCES - JULY 1	0	0	0
FUND BALANCES - JUNE 30	<u>\$ 44,510</u>	<u>\$ 2,331</u>	<u>\$ 2,156</u>

The accompanying notes are an integral part of these financial statements.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 1,176,075	\$ 614,188	\$ (561,887)		\$ 509	\$ 509
Federal assistance				\$ 104,734	1,068,961	964,227
Activity revenues		19,373	19,373			
Meal sales				50,000	1,583	(48,417)
Investment income	50	12	(38)			
Other revenues	286,000	43,468	(242,532)			
TOTAL REVENUES	1,462,125	677,041	(785,084)	154,734	1,071,053	916,319
EXPENDITURES						
Regular programs	688,586	686,057	2,529	104,734	574,556	(469,822)
Special education	32,491	33,974	(1,483)			
Compensatory education programs		7,065	(7,065)		7,956	(7,956)
Student support services	69,918	66,332	3,586		26,571	(26,571)
Instructional staff support services	20,425	30,371	(9,946)		61,752	(61,752)
General administration support services	176,683	166,287	10,396		4,092	(4,092)
School administration support services	110,382	83,324	27,058			
Central services support services	48,250	50,122	(1,872)		146,771	(146,771)
Operation and maintenance of plant services	217,728	181,450	36,278		58,322	(58,322)
Student transportation services	46,200	193,615	(147,415)		160,799	(160,799)
Food services operations		8,100	(8,100)	50,000	32,298	17,702
Activity expenditures		11,439	(11,439)			
TOTAL EXPENDITURES	1,410,663	1,518,136	(107,473)	154,734	1,073,117	(918,383)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	51,462	(841,095)	(892,557)	0	(2,064)	(2,064)
OTHER FINANCING SOURCES (USES)						
Transfers in	2,058,392		(2,058,392)		4,395	4,395
Transfers out	(2,058,392)	(4,395)	2,053,997			
Grant from private source		890,000	890,000			
TOTAL OTHER FINANCING SOURCES (USES)	0	885,605	885,605		4,395	4,395

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
 PULASKI COUNTY, ARKANSAS
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2024

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ 51,462	\$ 44,510	\$ (6,952)		\$ 2,331	\$ 2,331
FUND BALANCES - JULY 1	0	0	0	\$ 0	0	0
FUND BALANCES - JUNE 30	<u>\$ 51,462</u>	<u>\$ 44,510</u>	<u>\$ (6,952)</u>	<u>\$ 0</u>	<u>\$ 2,331</u>	<u>\$ 2,331</u>

The accompanying notes are an integral part of these financial statements.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a nine member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Arkansas Military and First Responders Academy (Academy). There are no component units.

B. Description of Funds

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

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

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. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the Academy's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

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.

C. Measurement Focus and Basis of Accounting

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

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets, leases, and debt in the financial statements, inclusion of the net pension liability 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.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

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. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and financed purchases are reported as other financing sources. Changes in private-purpose funds will be reflected in the notes to financial statements.

D. Revenue Recognition Policies

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

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. 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 acquisition value when received. The Academy maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

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

Asset Class	Estimated Useful Life in Years
Equipment	5-20

F. Interfund Receivables and Payables

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

G. Fund Balance Classifications

1. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Assigned fund balance – represents amounts that are constrained by the Academy's *intent* to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Budget and Budgetary Accounting

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

The Academy 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 and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the Academy routinely budgets restricted federal programs as part of the special revenue fund.

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.

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

The Academy's Board of Education has not formally adopted a minimum fund balance policy.

K. Fund Balance Classification Policies and Procedures

The Superintendent, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The Academy's Board of Education has not adopted a formal policy addressing this authorization.

The Academy'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 Academy's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The Academy does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. Academy 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 Academy does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

L. Encumbrances

The Academy does not utilize encumbrance accounting.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

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:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 1	\$ 110,875

The above carrying amount does not include the overdraft liability of \$14,912 reported on Exhibit A.

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2024, were comprised of the following:

Description	Governmental Funds	
	Major	
	Special Revenue	Other Aggregate
State assistance	\$ 380	\$ 2,155
Federal assistance	132,349	
Totals	\$ 132,729	\$ 2,155

4: ACCOUNTS PAYABLE

Accounts payable at June 30, 2024, were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 3,499	\$ 67,477

5: INTERFUND TRANSFERS

The Academy transferred \$4,395 from the general fund to the special revenue funds for food service expenditures.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

6: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

The Academy contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers employees of schools and education-related agencies, 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 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, by calling 501-682-1517, or by visiting the ATRS website at www.artrs.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 15% of covered salaries. The Academy's contributions to ATRS for the year ended June 30, 2024, were \$144,581, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary 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 Academy's proportionate share of the collective net pension liability. The Academy's proportionate share of the collective net pension liability at June 30, 2023, (actuarial valuation date and measurement date) was \$0.

7: RISK MANAGEMENT

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

The Academy carries commercial insurance for property, vehicles, workers' compensation, flood, and Board of Directors' liability.

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

Settled claims have not exceeded coverage in the fiscal year.

8: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the Academy's employees, totaled \$14,539 for the year ended June 30, 2024.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2024

9: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 668		
Capital projects			\$ 2,156
Child nutrition programs		\$ 2,331	
Total Restricted	<u>668</u>	<u>2,331</u>	<u>2,156</u>
Assigned to:			
Student activities	<u>7,934</u>		
Unassigned	<u>35,908</u>		
Totals	<u>\$ 44,510</u>	<u>\$ 2,331</u>	<u>\$ 2,156</u>

10: GRANT FROM PRIVATE SOURCE

The Academy received \$890,000 from the Walton Family Foundation, Inc. to cover expenditures incurred in the pursuit of maintaining the minimum standards of a high school in Arkansas.

11: SUBSEQUENT EVENT

On April 14, 2025, the Arkansas State Board of Education accepted the decision of the Arkansas Department of Education Charter Authorizing Panel's approval of the Academy's request to voluntarily release their charter to Exalt Academy of Southwest Little Rock.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2024
(Unaudited)

Schedule 1

	Balance June 30, 2024
Depreciable capital assets:	
Equipment	<u>\$ 237,980</u>
Less accumulated depreciation for:	
Equipment	<u>22,448</u>
Total depreciable capital assets, net	<u>215,532</u>
Capital assets, net	<u><u>\$ 215,532</u></u>

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2024

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	6064		\$ 4,542
Arkansas Department of Education - National School Lunch Program	10.555	6064		23,600
Total U. S. Department of Agriculture				<u>28,142</u>
TOTAL CHILD NUTRITION CLUSTER				<u>28,142</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	6064		17,987
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>17,987</u>
OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
ROTC (Note 4)	12.AR030001			75,707
Total U. S. Department of Defense				<u>75,707</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	6064		38,678
Arkansas Public School Resource Center - Charter Schools	84.282A	not available		908,448
Total U. S. Department of Education				<u>947,126</u>
TOTAL OTHER PROGRAMS				<u>1,022,833</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 1,068,962</u>

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Arkansas Military and First Responders Academy (Academy) under programs of the federal government for the year ended June 30, 2024. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Academy, it is not intended to and does not present the financial position or changes in financial position of the Academy.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: The Academy has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 4: The Federal Assistance Listing Number was not available. An alternative identifying number was utilized.

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued on whether the financial statements audited were prepared in accordance with:

Generally accepted accounting principles (GAAP) - adverse
Regulatory basis - unmodified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported
- Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified? yes none reported

Type of auditor's report issued on compliance for major federal programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes no

Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
84.282A	Charter Schools

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes no

ARKANSAS MILITARY AND FIRST RESPONDERS ACADEMY
PULASKI COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2024

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

MATERIAL WEAKNESS

2024-001. Internal Control

Criteria: Internal control is a process consisting of five interrelated components - *control environment, risk assessment, information and communication, control activities, and monitoring*. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Condition: Deficiencies in the internal control component of control activities adversely affected the Academy's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the Academy's financial statements would not be prevented or detected and corrected on a timely basis. Internal controls related to expenditures were not always performed.

Specifically, during our testing of expenditures, we identified the Academy did not have internal controls implemented for approval/authorization of expenditures prior to purchase. Additionally, electronic funds transfers totaling \$112,772 were not authorized in writing by both the disbursing officer of the board of directors and the superintendent, as required by Ark. Code Ann. § 6-13-701(e)(1) and Arkansas Department of Education (ADE) Commissioner's Memo COM-12-036.

Cause: Fiscal year ended June 30, 2024, was the Academy's first year of operation, and internal controls surrounding expenditures were not fully established and implemented.

Effect or potential effect: Deficiencies in the Academy's internal control system could hinder the prevention or detection of errors in the financial accounting records. Such records are utilized in the preparation of the Academy's financial statements in conformity with the regulatory basis of accounting.

Recommendation: The Academy should establish and maintain internal controls that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard the Academy's assets.

Views of responsible officials: A revision to the PO process, implemented April 22, 2025, requires a PO to be approved in writing by the Director of Operations and the Superintendent before a purchase can be made.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

U.S. DEPARTMENT OF EDUCATION
PASSED THROUGH ARKANSAS PUBLIC SCHOOL RESOURCE CENTER
CHARTER SCHOOLS - AL NUMBER 84.282A
PASS-THROUGH NUMBER 6064
AUDIT PERIOD - YEAR ENDED JUNE 30, 2024

2024-001. Internal control

The internal control deficiencies identified in Finding 2024-001 noted in Section II above also apply to this major federal program.