

Hope School District No. 1-A

Hempstead County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2022



HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
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Arkansas

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Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Hope School District No. 1-A and School 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 Hope School District No. 1-A (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District'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 District 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 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 District as of June 30, 2022, 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. 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 District, 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 District 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.

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 District'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 District'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 District'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 District'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 auditing standards generally accepted in the United States of America. 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 and the Schedule of Selected Information for the Last Five Years – Regulatory Basis 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 May 23, 2023 on our consideration of the District'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 District'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 District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman".

Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

Little Rock, Arkansas
May 23, 2023
EDSD15322

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
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

Hope School District No. 1-A and School 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, the financial statements of each major governmental fund and the aggregate remaining fund information of the Hope School District No. 1-A (the "District"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated May 23, 2023. We issued an adverse opinion because the District 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 District 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 District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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 District'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 District'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*.

We noted certain matters that we reported to management of the District in a separate letter dated May 23, 2023.

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

A handwritten signature in black ink that reads "Matt Fink". The signature is written in a cursive, slightly stylized font.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
May 23, 2023

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Roger A. Norman, JD, CPA, CFE, CFF
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

Hope School District No. 1-A and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Hope School District No. 1-A (the "District") 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 District's major federal programs for the year ended June 30, 2022. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on AL 84.425 COVID-19 – Education Stabilization Fund

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on AL 84.425 COVID-19 – Education Stabilization Fund for the year ended June 30, 2022.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (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 District 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 District's compliance with the compliance requirements referred to above.

Matters Giving Rise to Qualified Opinion on AL 84.425 COVID-19 – Education Stabilization Fund

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding AL 84.425 COVID-19 Education Stabilization Fund as described in finding numbers 2022-001 and 2022-002 for Equipment and Real Property Management.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District'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 District'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 District'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 District'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 District'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 District's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2022-001 to be a material weakness.


A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-002 and 2022-003 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District'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
May 23, 2023

Arkansas

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Hope School District No. 1-A and School Board Members
Legislative Joint Auditing Committee

We would like to communicate the following items that came to our attention during this audit. The purpose of such comments is to provide constructive feedback and guidance, in an effort to assist management to maintain a satisfactory level of compliance with the state constitution, laws and regulations, and to improve internal control. These matters were discussed previously with District officials during the course of our audit fieldwork and at the exit conference.

On January 24, 2022, a vendor contacted the District about a payment of \$8,944 that had not been received. The District discovered that the check that was issued in December 2021, that cleared its bank account, had been endorsed by an unknown individual who also forged the District Treasurer's name as the second endorsement. The bank was contacted and a police report was filed with the City of Hope Police Department. All funds were recovered from the bank.

On March 9, 2022, the District initiated an ACH transaction totaling \$9,805 after receiving a fictitious payment request from an email address that appeared to belong to a vendor the District utilizes. District personnel discovered the error upon review of the legitimate invoices and affected bank account. The District reported the incident to the City of Hope Police Department. As of report date, the District had not recovered the funds.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Matt Fink".

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
May 23, 2023

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2022

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
ASSETS			
Cash	\$ 4,608,888	\$ 1,491,477	\$ 2,637,092
Accounts receivable	295,647	701,312	
TOTAL ASSETS	<u>\$ 4,904,535</u>	<u>\$ 2,192,789</u>	<u>\$ 2,637,092</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	<u>\$ 176,371</u>	<u>\$ 43,591</u>	
Fund Balances:			
Restricted	476,629	2,149,198	\$ 327,872
Assigned	178,496		2,309,220
Unassigned	<u>4,073,039</u>		
Total Fund Balances	<u>4,728,164</u>	<u>2,149,198</u>	<u>2,637,092</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,904,535</u>	<u>\$ 2,192,789</u>	<u>\$ 2,637,092</u>

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

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 6,653,014		
State assistance	15,261,854	\$ 10,749	
Federal assistance		9,852,910	
Activity revenues	222,427		
Meal sales		59,383	
Investment income	10,177		
Other revenues	387,395		
TOTAL REVENUES	22,534,867	9,923,042	
EXPENDITURES			
Regular programs	8,315,282	2,607,041	
Special education	1,163,611	189,706	
Career education programs	472,890		
Compensatory education programs	879,308	986,309	
Other instructional programs	1,012,173	90,842	
Student support services	962,843	559,828	
Instructional staff support services	759,661	211,935	
General administration support services	520,330	249,732	
School administration support services	1,195,403	71,745	
Central services support services	504,914	1,296,274	
Operation and maintenance of plant services	2,889,931	501,835	
Student transportation services	927,002	483,111	
Other support services	35,538		
Food services operations		1,475,895	
Community services operations	87,383	50,919	
Facilities acquisition and construction services		397,081	\$ 506,076
Non-programmed costs		51,840	
Activity expenditures	245,750		
Debt Service:			
Principal retirement			615,000
Interest and fiscal charges			455,556
TOTAL EXPENDITURES	19,972,019	9,224,093	1,576,632
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,562,848	698,949	(1,576,632)
OTHER FINANCING SOURCES (USES)			
Transfers in			2,370,556
Transfers out	(2,370,556)		
Federal grant revenue passed through from a cooperative		57,782	
Compensation for loss of capital assets	283,835		
TOTAL OTHER FINANCING SOURCES (USES)	(2,086,721)	57,782	2,370,556
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	476,127	756,731	793,924
FUND BALANCES - JULY 1	4,252,037	1,392,467	1,843,168
FUND BALANCES - JUNE 30	\$ 4,728,164	\$ 2,149,198	\$ 2,637,092

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

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD 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, 2022

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 6,631,000	\$ 6,653,014	\$ 22,014			
State assistance	15,054,897	15,261,854	206,957	\$ 10,000	\$ 10,749	\$ 749
Federal assistance				8,706,836	9,852,910	1,146,074
Activity revenues		222,427	222,427			
Meal sales				50,000	59,383	9,383
Investment income	7,500	10,177	2,677			
Other revenues	280,000	387,395	107,395			
TOTAL REVENUES	21,973,397	22,534,867	561,470	8,766,836	9,923,042	1,156,206
EXPENDITURES						
Regular programs	8,527,948	8,315,282	212,666	472,780	2,607,041	(2,134,261)
Special education	1,173,148	1,163,611	9,537	212,678	189,706	22,972
Career education programs	447,049	472,890	(25,841)			
Compensatory education programs	1,151,774	879,308	272,466	1,209,022	986,309	222,713
Other instructional programs	1,017,142	1,012,173	4,969	145,757	90,842	54,915
Student support services	857,622	962,843	(105,221)	766,579	559,828	206,751
Instructional staff support services	714,537	759,661	(45,124)	449,942	211,935	238,007
General administration support services	476,241	520,330	(44,089)	156,395	249,732	(93,337)
School administration support services	1,230,985	1,195,403	35,582		71,745	(71,745)
Central services support services	545,626	504,914	40,712	530,599	1,296,274	(765,675)
Operation and maintenance of plant services	2,756,813	2,889,931	(133,118)	260,860	501,835	(240,975)
Student transportation services	1,029,853	927,002	102,851	402,687	483,111	(80,424)
Other support services	82,240	35,538	46,702			
Food services operations				1,076,751	1,475,895	(399,144)
Community services operations	92,855	87,383	5,472	51,873	50,919	954
Facilities acquisition and construction services					397,081	(397,081)
Non-programmed costs				30,749	51,840	(21,091)
Activity expenditures		245,750	(245,750)			
TOTAL EXPENDITURES	20,103,833	19,972,019	131,814	5,766,672	9,224,093	(3,457,421)

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD 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, 2022

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,869,564	\$ 2,562,848	\$ 693,284	\$ 3,000,164	\$ 698,949	\$ (2,301,215)
OTHER FINANCING SOURCES (USES)						
Transfers in	25,762,108		(25,762,108)	99,537		(99,537)
Transfers out	(26,712,919)	(2,370,556)	24,342,363	(99,537)		99,537
Federal grant revenue passed through from a cooperative					57,782	57,782
Compensation for loss of capital assets		283,835	283,835			
TOTAL OTHER FINANCING SOURCES (USES)	(950,811)	(2,086,721)	(1,135,910)	0	57,782	57,782
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	918,753	476,127	(442,626)	3,000,164	756,731	(2,243,433)
FUND BALANCES - JULY 1	4,428,297	4,252,037	(176,260)	1,363,293	1,392,467	29,174
FUND BALANCES - JUNE 30	\$ 5,347,050	\$ 4,728,164	\$ (618,886)	\$ 4,363,457	\$ 2,149,198	\$ (2,214,259)

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

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a seven 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 Hope School District (District). 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 District'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.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

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.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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, except for property taxes (see Note 1 F below).

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 District maintains a threshold level of \$1,500 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
Improvements/infrastructure	20
Buildings	50
Equipment	5-20

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Amendment no. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 District'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.

H. Budget and Budgetary Accounting

The District is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The District 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 school districts employ the cash basis method.

The District 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 District 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 District'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 District'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 District's Board of Education has not adopted a formal policy addressing this authorization.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Classification Policies and Procedures (Continued)

The District'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 District'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 District 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. District 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 District 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 District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 7,784,724	\$ 8,584,348
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>952,733</u>	<u>952,733</u>
Total Deposits	<u><u>\$ 8,737,457</u></u>	<u><u>\$ 9,537,081</u></u>

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2022, were comprised of the following:

<u>Description</u>	<u>Governmental Funds</u>	
	<u>Major</u>	
	<u>General</u>	<u>Special Revenue</u>
Federal assistance		\$ 701,312
Compensation for loss of capital assets	\$ 283,835	
Other	<u>11,812</u>	
Totals	<u><u>\$ 295,647</u></u>	<u><u>\$ 701,312</u></u>

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

4: COMMITMENTS

The District was contractually obligated for the following at June 30, 2022:

A. Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Energy Savings Performance Project	July 1, 2023	\$ 2,436,736
Gym Locker Room Remodel	July 1, 2023	737,860

B. Leases (leases of nonfinancial assets with initial noncancelable lease terms in excess of one year)

General description of leases and leasing arrangements:

On January 5, 2019, the District executed a lease agreement for copiers with Datamax Corporation. The arrangement stipulated 60 monthly payments of \$3,792 plus applicable taxes.

On February 15, 2020, the District executed a lease agreement for copiers with Datamax Corporation. The arrangement stipulated 60 monthly payments of \$1,347 plus applicable taxes.

1. Future minimum lease payments (aggregate) at June 30, 2022: \$106,213
2. Future minimum lease payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ 61,662
2024	35,122
2025	9,429
Total	<u>\$ 106,213</u>

Lease payments for the leases described above were approximately \$55,099 for the year ended June 30, 2022.

C. Long-term Debt Issued and Outstanding

The District is presently paying on the following long-term debt:

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2022</u>	<u>Maturities To June 30, 2022</u>
<u>Bonds</u>					
10/4/16	6/30/33	1 - 2.25%	\$ 7,820,000	\$ 5,765,000	\$ 2,055,000
6/21/17	6/1/41	3 - 3.4%	8,075,000	8,075,000	
9/3/20	6/1/46	.9 - 1.75%	5,225,000	5,225,000	
4/6/21	6/1/41	.4 - 1.5%	1,550,000	1,480,000	70,000
Total Long-Term Debt			<u>\$ 22,670,000</u>	<u>\$ 20,545,000</u>	<u>\$ 2,125,000</u>

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

4: COMMITMENTS (Continued)

C. Long-term Debt Issued and Outstanding (Continued)

Changes in Long-term Debt

	Balance July 1, 2021	Issued	Retired	Balance June 30, 2022
Bonds payable	\$ 21,160,000	\$ 0	\$ 615,000	\$ 20,545,000

Future Principal and Interest Payments

Year Ended June 30,	Bonds		
	Principal	Interest	Total
2023	\$ 545,000	\$ 443,140	\$ 988,140
2024	560,000	436,923	996,923
2025	650,000	430,000	1,080,000
2026	710,000	420,125	1,130,125
2027	945,000	407,835	1,352,835
2028-2032	4,975,000	1,792,083	6,767,083
2033-2037	5,540,000	1,254,619	6,794,619
2038-2042	5,285,000	499,448	5,784,448
2043-2046	1,335,000	58,713	1,393,713
Totals	\$ 20,545,000	\$ 5,742,886	\$ 26,287,886

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Division of Elementary and Secondary Education (DESE). Depending on the date of the bond issue, DESE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

5: ACCOUNTS PAYABLE

Accounts payable at June 30, 2022, were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 176,371	\$ 43,591

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

6: INTERFUND TRANSFERS

The District transferred \$2,370,556 from the general fund to the other aggregate funds for debt related payments of \$1,300,000 and \$1,070,556 for future capital projects.

7: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description

The District 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 1-800-666-2877, or by visiting the ATRS website at www.arters.gov.

Funding Policy

ATRS has contributory and noncontributory 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 Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14.75% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2022, were \$2,143,466, 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 District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2021, (actuarial valuation date and measurement date) was \$11,404,869.

Arkansas Public Employees Retirement System

Plan Description

The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain non-teaching school employees. APERS, 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 Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or by visiting the APERS website at www.apers.org.

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5% 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 for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2022, were \$5,136, equal to the required contributions.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

7: RETIREMENT PLANS (Continued)

Arkansas Public Employees Retirement System (Continued)

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 District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2021, (actuarial valuation date and measurement date) was \$12,522.

8: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$22,670,000 issued from October 4, 2016 to April 6, 2021. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$26,287,886, payable through June 1, 2046. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,067,914 and \$1,859,776, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 57.42 percent.

9: RISK MANAGEMENT

The District 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 District carries commercial insurance for board liability and student accidents.

The District participates in the Arkansas School Boards Association – Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994, pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating and settling claims that have been filed on behalf of and against member districts. The District contributes annually to this program.

Additionally, the District participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984, pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member districts. The District pays an annual premium for its coverage of buildings, contents, and vehicles.

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 any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

10: 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 District's employees, totaled \$458,027 for the year ended June 30, 2022.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Restricted for:			
Enhanced student achievement funding	\$ 301,770		
Professional development	53,074		
Capital projects			\$ 327,872
Child nutrition programs		\$1,769,301	
Medical services		342,457	
Special education programs	42,832		
Other purposes	78,953	37,440	
Total Restricted	<u>476,629</u>	<u>2,149,198</u>	<u>327,872</u>
Assigned to:			
Capital projects			2,309,220
Student activities	178,496		
Total Assigned	<u>178,496</u>		<u>2,309,220</u>
Unassigned	<u>4,073,039</u>		
Totals	<u>\$4,728,164</u>	<u>\$2,149,198</u>	<u>\$2,637,092</u>

12: COMPENSATION FOR LOSS OF CAPITAL ASSETS

During the year ended June 30, 2022, the District received insurance proceeds of \$283,835 for hail damage sustained to a building roof during a storm.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)

Schedule 1

	Balance June 30, 2022
Nondepreciable capital assets:	
Land	\$ 446,945
Construction in progress	397,081
Total nondepreciable capital assets	<u>844,026</u>
Depreciable capital assets:	
Buildings	33,432,875
Improvements/infrastructure	3,041,577
Equipment	5,957,142
Total depreciable capital assets	<u>42,431,594</u>
Less accumulated depreciation for:	
Buildings	13,507,737
Improvements/infrastructure	1,908,411
Equipment	3,980,887
Total accumulated depreciation	<u>19,397,035</u>
Total depreciable capital assets, net	<u>23,034,559</u>
Capital assets, net	<u><u>\$ 23,878,585</u></u>

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

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	2903		\$ 464,496
National School Lunch Program (Note 3)	10.555			70,000
Arkansas Department of Education - National School Lunch Program	10.555	2903		823,152
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	29030000		67,390
Total for National School Lunch Program				960,542
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	2903		50,857
Total U. S. Department of Agriculture				1,475,895
TOTAL CHILD NUTRITION CLUSTER				1,475,895
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	2903		371,984
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education Grants to States	84.027X	2903		130,976
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	2903		38,606
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education - Preschool Grants	84.173X	2903		13,723
Total U. S. Department of Education				555,289
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				555,289
OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
ROTC (Note 5)	12.AR20101			50,972
Total U. S. Department of Defense				50,972
<u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	2903		1,173,595
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	2903		4,083,510
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	2903		36,439
Total Education Stabilization Fund				5,293,544
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	2903		1,303,973
Arkansas Department of Education - Education for Homeless Children and Youth	84.196A	2903		40,877
Arkansas Department of Education - Rural Education	84.358B	2903		39,962
Arkansas Department of Education - English Language Acquisition State Grants	84.365A	2903		45,893
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	2903		227,560
Arkansas Department of Education - Comprehensive Literacy Development	84.371C	2903		63,560
Total U. S. Department of Education				7,015,369

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2022

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
<u>U. S. Department of Health and Human Services</u>				
Southwest Arkansas Educational Cooperative - COVID-19				
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	n/a		\$ 57,782
Total U. S. Department of Health and Human Services				<u>57,782</u>
 TOTAL OTHER PROGRAMS				 <u>7,124,123</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 0</u>	 <u>\$ 9,155,307</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 Hope School District No. 1-A (District) under programs of the federal government for the year ended June 30, 2022. 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 District, it is not intended to and does not present the financial position or changes in financial position of the District.
- 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: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 4: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 5: The Federal Assistance Listing Number was not available. An alternative identifying number was utilized.
- Note 6: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 7: During the year ended June 30, 2022, the District received Medicaid funding of \$78,232 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

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:

<input checked="" type="radio"/> Material weakness(es) identified?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	none reported
Noncompliance material to financial statements noted?	<input type="text"/>	yes	<input checked="" type="text" value="X"/>	no

FEDERAL AWARDS

Internal control over major federal programs:

<input checked="" type="radio"/> Material weakness(es) identified?	<input checked="" type="text" value="X"/>	yes	<input type="text"/>	no
<input checked="" type="radio"/> Significant deficiency(ies) identified?	<input checked="" type="text" value="X"/>	yes	<input type="text"/>	none reported

Type of auditor's report issued on compliance for major federal programs: unmodified for all major programs except COVID-19 - Education Stabilization Fund program, which was qualified.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	<input checked="" type="text" value="X"/>	yes	<input type="text"/>	no
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Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
10.553, 10.555, and 10.582	Child Nutrition Cluster
84.027A, 84.027X, 84.173A, and 84.173X	Special Education Cluster (IDEA)
84.425D, 84.425U, and 84.425W	COVID-19 - Education Stabilization Fund

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?	<input checked="" type="text" value="X"/>	yes	<input type="text"/>	no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 3

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

U.S. DEPARTMENT OF EDUCATION

PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION

COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND - AL NUMBERS 84.425D and 84.425U

PASS-THROUGH NUMBER 2903

AUDIT PERIOD - YEAR ENDED JUNE 30, 2022

2022-001. Equipment and Real Property Management

Criteria or specific requirement: The Davis-Bacon Act requires all contractors and subcontractors performing work on construction contracts in excess of \$2,000, financed by Federal funds, to pay their laborers and mechanics not less than the prevailing wage rates as determined by the Department of Labor. Non-federal entities are to include in the applicable construction contracts a requirement that the contractor or subcontractor comply with the provisions of the Davis-Bacon Act and the Department of Labor regulations. Such requirements included the submission of weekly certified payrolls, for each week in which any contract work is performed, to the non-federal entities. Also, property records should be maintained for real property and improvements made to real property acquired with federal awards as specified in OMB 2 CFR sections 200.311 and 200.313.

Condition: The District paid \$335,500 for installation of an HVAC system from the Education Stabilization Fund without obtaining a written contract that included the prevailing wage rate clause. Additionally, weekly certified payrolls were not submitted to the District. Also, neither the HVAC system nor a facility improvement project totaling \$397,081 were recorded in the District's capital asset subsidiary records.

Cause: Lack of internal controls and management oversight resulted in the Davis-Bacon Act provisions not being properly followed and the capital asset subsidiary records not being accurate.

Effect: The District did not comply with the notification requirements regarding compliance with the Davis-Bacon Act and was unable to provide copies of weekly certified payrolls for workers paid on the projects. The District's capital asset subsidiary records were not accurate.

Context: Examined all payments/contracts for facility repairs and improvements paid from the Education Stabilization Fund.

Recommendation: The District should contact the Arkansas Division of Elementary and Secondary Education (DESE) for guidance regarding this matter and implement proper controls over program expenditures.

Views of responsible officials: We will contact DESE for guidance regarding this matter and implement proper controls over program expenditures.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 3

SIGNIFICANT DEFICIENCIES

U.S. DEPARTMENT OF EDUCATION

PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION

COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND - AL NUMBERS 84.425D and 84.425U

PASS-THROUGH NUMBER 2903

AUDIT PERIOD - YEAR ENDED JUNE 30, 2022

2022-002. Equipment and Real Property Management

Criteria or specific requirement: Proper records should be maintained for equipment acquired with federal awards as specified in 2 CFR section 200.313. Additionally, the District should ensure that disposition of such equipment is in accordance with federal requirements, including the federal awarding agency is appropriately compensated for its share of any property sold or converted to non-federal use.

Condition: The District could not account for 2 of 28 Education Stabilization Fund equipment items purchased in previous years costing \$4,341.

Cause: Lack of internal controls over capital asset subsidiary records.

Effect: The District's capital assets subsidiary records were not accurate.

Context: Observation of 28 equipment items recorded on equipment subsidiary records at an initial cost of \$493,581 from a total population of 277 items at an initial cost of \$1,156,492.

Recommendation: The District should maintain proper records for equipment acquired with federal awards.

Views of responsible officials: The fever scanner had not been opened at the time of the equipment information submission from the facilities director's secretary. The serial number had been submitted for the laptop that was purchased from a separate vendor and the cost was well below the capital assets threshold. Since fever scanners were no longer in use, the laptop had been given to an employee and could not be located. The fever scanners are all in storage but could not be identified because the serial number was for the laptop. The District will try and maintain proper records for all equipment.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 3

U.S. DEPARTMENT OF AGRICULTURE
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
CHILD NUTRITION CLUSTER - AL NUMBERS 10.553 AND 10.555
PASS-THROUGH NUMBER 2903
AUDIT PERIOD - YEAR ENDED JUNE 30, 2022

2022-003. Reporting

Criteria or specific requirement: Monthly claims for reimbursement are required to be submitted to the Division of Elementary and Secondary Education, Child Nutrition Unit (DESE, CNU). Reimbursement claim components include the total number of students eligible for and number of students participating in free, reduced price, and paid meals served. The total meals served by category are to be derived from the daily record forms.

Condition: An Administrative Review for the District was completed by the Arkansas Division of Elementary and Secondary Education, Child Nutrition Unit (DESE, CNU) in November 2021. The review of the September 2021 Claim for Reimbursement resulted in a calculated over claim in the amount of \$1,811 due to clerical errors in calculating meals served. In addition, \$2,983 of the claim was disallowed due to meal pattern requirements not being met.

Cause: The inaccurate reporting of meals served resulted from clerical errors in posting data from the daily record forms to the monthly claims for reimbursement.

Effect: The District was not properly reimbursed for meals served during the year.

Questioned costs: The amount of questioned costs was \$4,794.

Context: Results of an Administrative Review by the DESE, CNU.

Recommendation: The District should exercise due care in the posting of data from the monthly account eligibility reports and daily record forms to the monthly claim for reimbursement.

Views of responsible officials: We will not go in and add additional meals until the end of the month to keep the meals from being added twice. The Food Service Management Company Director handed out the right completed meals, but the paperwork did not back up the components in the meal. We will double check all paperwork to make sure the meal components are all listed on the production records.



Hope School District 1-A
117 East 2nd Street
Hope, AR 71801

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 4

FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

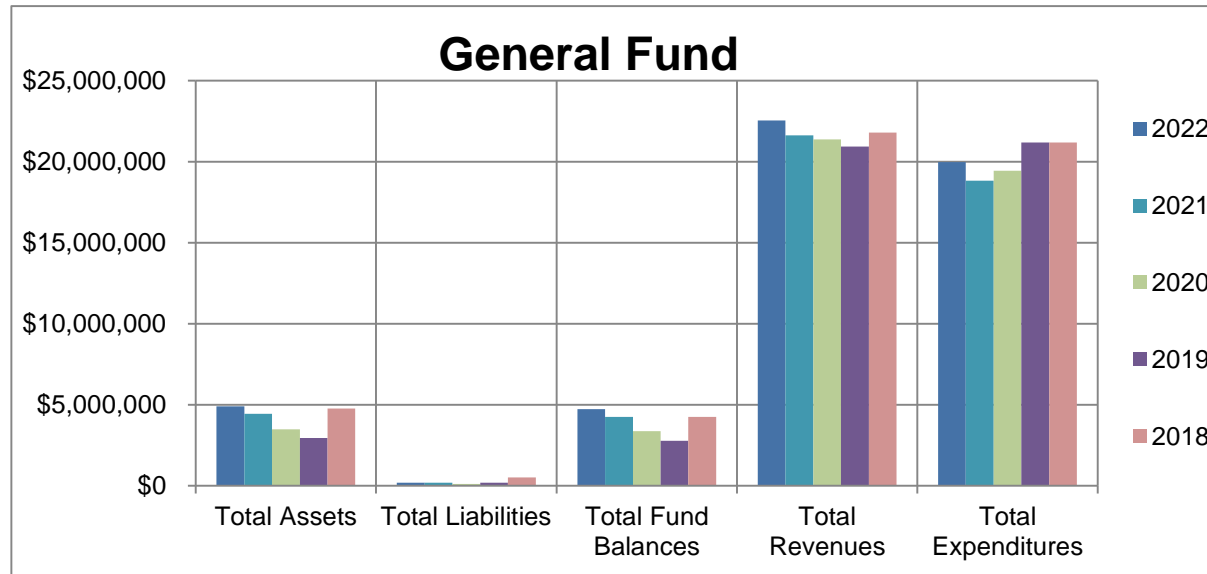
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)

Schedule 5

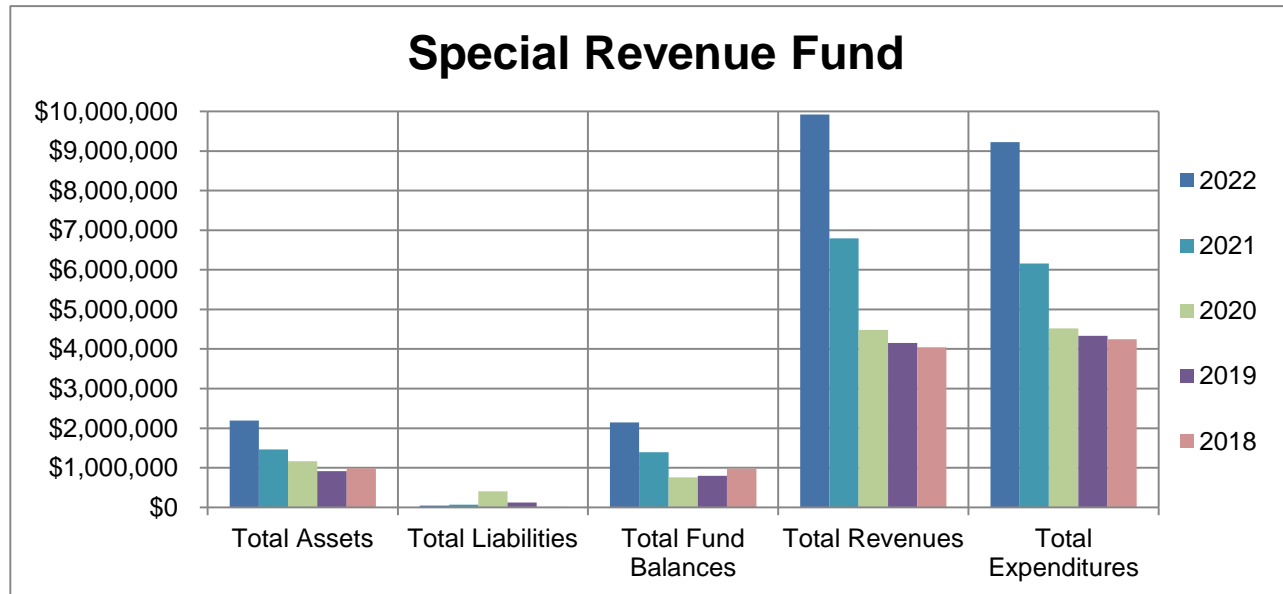
General Fund	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 4,904,535	\$ 4,430,487	\$ 3,484,600	\$ 2,953,330	\$ 4,758,055
Total Liabilities	176,371	178,450	116,175	186,694	514,323
Total Fund Balances	4,728,164	4,252,037	3,368,425	2,766,636	4,243,732
Total Revenues	22,534,867	21,627,621	21,381,097	20,926,722	21,785,195
Total Expenditures	19,972,019	18,834,348	19,442,263	21,189,315	21,185,503
Total Other Financing Sources (Uses)	(2,086,721)	(1,974,324)	(1,337,045)	(1,214,503)	(1,161,576)



HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)

Schedule 5

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 2,192,789	\$ 1,460,986	\$ 1,163,778	\$ 918,502	\$ 989,064
Total Liabilities	43,591	68,519	408,216	123,893	14,020
Total Fund Balances	2,149,198	1,392,467	755,562	794,609	975,044
Total Revenues	9,923,042	6,795,412	4,482,331	4,155,800	4,042,151
Total Expenditures	9,224,093	6,158,507	4,521,378	4,336,235	4,243,000
Total Other Financing Sources (Uses)	57,782				(4,675)



HOPE SCHOOL DISTRICT NO. 1-A
HEMPSTEAD COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2022
(Unaudited)

Schedule 5

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 2,637,092	\$ 1,843,168	\$ 154,684	\$ 34,684	\$ 1,046,207
Total Liabilities					
Total Fund Balances	2,637,092	1,843,168	154,684	34,684	1,046,207
Total Revenues		71,896			547,970
Total Expenditures	1,576,632	2,033,685	1,217,045	2,226,026	2,276,471
Total Other Financing Sources (Uses)	2,370,556	3,650,273	1,337,045	1,214,503	1,161,576

