

# **Texarkana Arkansas School District No. 7**

**Miller County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2022**



TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
TABLE OF CONTENTS  
JUNE 30, 2022

Independent Auditor's Report  
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*  
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance  
Management Letter

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to the Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Expenditures of Federal Awards	2
Schedule of Findings and Questioned Costs	3
Summary Schedule of Prior Audit Findings	4
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	5

# 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**

### **INDEPENDENT AUDITOR'S REPORT**

Texarkana Arkansas School District No. 7 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 Texarkana Arkansas School District No. 7 (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 February 28, 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



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

Little Rock, Arkansas  
February 28, 2023  
EDSD24722

# Arkansas

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



**Rep. Jimmy Gazaway**  
House Chair  
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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

Texarkana Arkansas School District No. 7 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 Texarkana Arkansas School District No. 7 (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 February 28, 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 a certain matter that we reported to management of the District in a separate letter dated February 28, 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, flowing style.

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 28, 2023

# Arkansas

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



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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

Texarkana Arkansas School District No. 7 and School Board Members  
Legislative Joint Auditing Committee

#### **Report on Compliance for Each Major Federal Program**

##### ***Opinion on Each Major Federal Program***

We have audited the Texarkana Arkansas School District No. 7's (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.

In our opinion, the District 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, 2022.

##### ***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 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.

##### ***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 an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the noncompliance finding 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

*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 2022-001 to be a significant deficiency.

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 finding 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

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

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
February 28, 2023

# Arkansas

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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Texarkana Arkansas School District No. 7 and School Board Members  
Legislative Joint Auditing Committee

We would like to communicate the following item that came to our attention during this audit. The purpose of such comment 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. This matter was discussed previously with District officials during the course of our audit fieldwork and at the exit conference.

District personnel discovered that the employee responsible for donations to the TASD Care Closet and Food Pantry (Pantry) received checks totaling \$1,500 from three local entities, with two checks payable to the employee and one payable to the Pantry. The checks were not deposited into the District's bank account, nor were receipts provided to document items purchased with the funds. The individual's employment was terminated on October 24, 2022.

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  
February 28, 2023

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2022

Exhibit A

	Governmental Funds			
	Major			
	General	Special Revenue	Other Aggregate	Fiduciary Fund Types
ASSETS				
Cash	\$ 7,243,948		\$ 2,854,401	\$ 193,173
Investments			8,000	10,000
Accounts receivable		\$ 2,837,702		
Interest receivable	11,483			
Due from other funds	1,692,612			
TOTAL ASSETS	<u>\$ 8,948,043</u>	<u>\$ 2,837,702</u>	<u>\$ 2,862,401</u>	<u>\$ 203,173</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 223,439	\$ 190,565	\$ 836	
Due to other funds		1,692,612		
Total Liabilities	<u>223,439</u>	<u>1,883,177</u>	<u>836</u>	
Fund Balances:				
Nonspendable			8,000	\$ 10,000
Restricted	1,206,022	954,525	160	193,173
Assigned	436,191		2,853,405	
Unassigned	7,082,391			
Total Fund Balances	<u>8,724,604</u>	<u>954,525</u>	<u>2,861,565</u>	<u>203,173</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 8,948,043</u>	<u>\$ 2,837,702</u>	<u>\$ 2,862,401</u>	<u>\$ 203,173</u>

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

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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
<b>REVENUES</b>			
Property taxes (including property tax relief trust distribution)	\$ 18,398,697		
State assistance	22,760,361	\$ 13,889	
Federal assistance		15,774,639	
Activity revenues	437,352		
Meal sales		147,672	
Investment income	30,271		\$ 20
Other revenues	614,276	22,497	
<b>TOTAL REVENUES</b>	<b>42,240,957</b>	<b>15,958,697</b>	<b>20</b>
<b>EXPENDITURES</b>			
Regular programs	18,410,219	1,983,781	
Special education	1,952,925	1,077,420	
Career education programs	424,648	74,075	
Adult/continuing education program		75	
Compensatory education programs	489,171	1,113,330	
Other instructional programs	1,127,445	43,479	
Student support services	1,939,277	1,196,085	
Instructional staff support services	1,914,472	4,269,406	
General administration support services	773,037	485,597	
School administration support services	2,307,311	71,810	
Central services support services	1,208,066	355,128	
Operation and maintenance of plant services	5,261,210	314,329	581,814
Student transportation services	1,159,335	667,420	
Other support services	49,000		
Food services operations		2,713,889	
Community services operations		9,388	
Facilities acquisition and construction services	8,067	678,361	500,689
Non-programmed costs	100	293,507	
Activity expenditures	346,658		
Debt Service:			
Principal retirement			535,000
Interest and fiscal charges			888,481
<b>TOTAL EXPENDITURES</b>	<b>37,370,941</b>	<b>15,347,080</b>	<b>2,505,984</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>4,870,016</b>	<b>611,617</b>	<b>(2,505,964)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in			3,881,946
Transfers out	(3,881,946)		
Federal grant revenue passed through from a cooperative		25,967	
Sale of capital assets			118,585
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(3,881,946)</b>	<b>25,967</b>	<b>4,000,531</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>988,070</b>	<b>637,584</b>	<b>1,494,567</b>
<b>FUND BALANCES - JULY 1</b>	<b>7,736,534</b>	<b>316,941</b>	<b>1,366,998</b>
<b>FUND BALANCES - JUNE 30</b>	<b>\$ 8,724,604</b>	<b>\$ 954,525</b>	<b>\$ 2,861,565</b>

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

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7

MILLER COUNTY, ARKANSAS

Exhibit C

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

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 17,576,142	\$ 18,398,697	\$ 822,555			
State assistance	22,824,652	22,760,361	(64,291)	\$ 17,000	\$ 13,889	\$ (3,111)
Federal assistance				38,207,066	15,774,639	(22,432,427)
Activity revenues	6,000	437,352	431,352			
Meal sales				33,600	147,672	114,072
Investment income	6,000	30,271	24,271			
Other revenues	130,000	614,276	484,276		22,497	22,497
<b>TOTAL REVENUES</b>	<b>40,542,794</b>	<b>42,240,957</b>	<b>1,698,163</b>	<b>38,257,666</b>	<b>15,958,697</b>	<b>(22,298,969)</b>
EXPENDITURES						
Regular programs	19,187,224	18,410,219	777,005	2,060,732	1,983,781	76,951
Special education	2,152,388	1,952,925	199,463	1,185,908	1,077,420	108,488
Career education programs	448,316	424,648	23,668	33,454	74,075	(40,621)
Adult/continuing education program					75	(75)
Compensatory education programs	450,286	489,171	(38,885)	1,853,312	1,113,330	739,982
Other instructional programs	1,135,400	1,127,445	7,955		43,479	(43,479)
Student support services	2,029,286	1,939,277	90,009	2,012,369	1,196,085	816,284
Instructional staff support services	1,987,906	1,914,472	73,434	8,552,242	4,269,406	4,282,836
General administration support services	863,230	773,037	90,193	621,934	485,597	136,337
School administration support services	2,285,757	2,307,311	(21,554)	624,440	71,810	552,630
Central services support services	1,161,959	1,208,066	(46,107)		355,128	(355,128)
Operation and maintenance of plant services	5,198,579	5,261,210	(62,631)	377,079	314,329	62,750
Student transportation services	1,172,189	1,159,335	12,854		667,420	(667,420)
Other support services	56,000	49,000	7,000			
Food services operations	30,000		30,000	2,247,973	2,713,889	(465,916)
Community services operations				10,000	9,388	612
Facilities acquisition and construction services		8,067	(8,067)	17,741,251	678,361	17,062,890
Non-programmed costs		100	(100)	894,971	293,507	601,464
Activity expenditures	11,350	346,658	(335,308)			
<b>TOTAL EXPENDITURES</b>	<b>38,169,870</b>	<b>37,370,941</b>	<b>798,929</b>	<b>38,215,664</b>	<b>15,347,080</b>	<b>22,868,584</b>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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	\$ 2,372,924	\$ 4,870,016	\$ 2,497,092	\$ 42,002	\$ 611,617	\$ 569,615
OTHER FINANCING SOURCES (USES)						
Transfers in	51,926,446		(51,926,446)			
Transfers out	(53,631,134)	(3,881,946)	49,749,188			
Federal grant revenue passed through from a cooperative					25,967	25,967
TOTAL OTHER FINANCING SOURCES (USES)	(1,704,689)	(3,881,946)	(2,177,257)		25,967	25,967
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	668,235	988,070	319,835	42,002	637,584	595,582
FUND BALANCES - JULY 1	8,193,680	7,736,534	(457,146)	356,857	316,941	(39,916)
FUND BALANCES - JUNE 30	\$ 8,861,916	\$ 8,724,604	\$ (137,312)	\$ 398,860	\$ 954,525	\$ 555,665

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

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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 Texarkana Arkansas 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.

Permanent Fund – The Permanent Fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Fiduciary Fund types include the following:

Private-purpose Funds – Private-purpose funds are used to report all other arrangements under which principal and income benefit 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.



TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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 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.

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 \$1,000 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:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
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.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**F. Property Taxes (Continued)**

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.

**G. Fund Balance Classifications**

1. Nonspendable fund balance – represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
2. 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.
3. 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.
4. 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.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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.

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:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 10,304,087	\$ 11,137,229

The above total deposits do not include cash on hand of \$5,435. The above total deposits include certificates of deposit of \$18,000 reported as investments and classified as nonparticipating contracts.

The insured (FDIC) balances were comprised of funds placed through Insured Cash Sweep (ICS). ICS deposits are held in various banks which are insured by FDIC.

**3: ACCOUNTS RECEIVABLE**

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

	Governmental Fund
	Major
Description	Special Revenue
Federal assistance	\$ 2,837,702

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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. Leases (leases of nonfinancial assets with initial noncancelable lease terms in excess of one year)

General description of leases and leasing arrangements:

Lease agreement with Business Communications Systems Inc. executed on March 13, 2019 for a districtwide telecommunication equipment and service contract. The term of the lease is for 60 months with monthly payments of \$8,256.

Lease agreement with Datamax executed on January 15, 2021 for copiers and printers at various schools within the District. The term of the lease is for 48 months with 2 monthly payments of \$7,166 and 46 monthly payments of \$7,224.

1. Future minimum lease payments (aggregate) at June 30, 2022: \$398,335
2. Future minimum lease payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	\$ 185,752
2024	169,241
2025	<u>43,343</u>
Total	<u>\$ 398,335</u>

Lease payments for the leases described above were approximately \$185,752 for the year ended June 30, 2022.

B. 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>
<b><u>Bonds</u></b>					
5/1/15	2/1/30	1 - 2.5%	\$ 2,330,000	\$ 1,090,000	\$ 1,240,000
9/1/16	2/1/30	1 - 1.8%	5,135,000	3,490,000	1,645,000
3/3/21	2/1/48	1 - 2.5%	<u>44,535,000</u>	<u>44,535,000</u>	
Total Long-Term Debt			<u>\$ 52,000,000</u>	<u>\$ 49,115,000</u>	<u>\$ 2,885,000</u>

Changes in Long-term Debt

	<u>Balance July 1, 2021</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2022</u>
Bonds payable	<u>\$ 49,650,000</u>	<u>\$ 0</u>	<u>\$ 535,000</u>	<u>\$ 49,115,000</u>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**4: COMMITMENTS (Continued)**

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

Future Principal and Interest Payments

Year Ended June 30,	Bonds		
	Principal	Interest	Total
2023	\$ 540,000	\$ 957,895	\$ 1,497,895
2024	545,000	950,603	1,495,603
2025	1,345,000	942,605	2,287,605
2026	1,675,000	918,315	2,593,315
2027	1,705,000	886,923	2,591,923
2028-2032	8,890,000	4,086,161	12,976,161
2033-2037	9,580,000	3,398,571	12,978,571
2038-2042	10,540,000	2,433,944	12,973,944
2043-2047	11,765,000	1,194,955	12,959,955
2048	2,530,000	63,250	2,593,250
Totals	<u>\$ 49,115,000</u>	<u>\$ 15,833,222</u>	<u>\$ 64,948,222</u>

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		Other Aggregate
	General	Special Revenue	
Vendor payables	<u>\$ 223,439</u>	<u>\$ 190,565</u>	<u>\$ 836</u>

**6: DEBT REFUNDING**

On March 3, 2021 (fiscal year 2021), the District issued \$44,535,000 in refunding bonds to advance refund \$41,120,000 of outstanding bonds dated December 28, 2017. The net bond proceeds of \$43,730,121 were remitted to an escrow agent to provide for all future debt service payments on the bonds refunded until February 1, 2023 when the remaining outstanding bonds will be called for redemption. The outstanding principal of the bonds refunded was \$40,480,000 at June 30, 2022. The balance of the escrow account at June 30, 2022 was \$41,760,380.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**7: INTERFUND TRANSFERS**

The District transferred \$3,881,946 from the general fund to the other aggregate funds for debt related payments of \$1,423,481 and future capital projects of \$2,458,465.

**8: RETIREMENT PLAN**

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.artrs.gov](http://www.artrs.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 \$4,206,325, 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 \$22,011,385.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**9: CHANGES IN PRIVATE-PURPOSE FUNDS**

ADDITIONS	
Donations	\$ 14,619
Interest	<u>1</u>
TOTAL ADDITIONS	<u>14,620</u>
DEDUCTIONS	
Scholarships	9,200
Other Expenses	<u>3,597</u>
TOTAL DEDUCTIONS	<u>12,797</u>
CHANGE IN FUND BALANCE	1,823
FUND BALANCE - JULY 1	<u>201,350</u>
FUND BALANCE - JUNE 30	<u><u>\$ 203,173</u></u>

**10: PRIVATE PURPOSE FUNDS**

The District's private purpose funds consist of an endowment of \$10,000 for homecoming expenses. This endowment is invested in a certificate of deposit which is classified as a nonparticipating contract. Other funds that comprise the private purpose funds are generated by private donations and interest income and can be used for scholarship awards and expense related to the FFA program.

**11: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$52,000,000 issued from May 1, 2015 through March 3, 2021. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$64,948,222, payable through February 1, 2048. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,421,260 and \$6,574,342, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 21.62 percent.

**12: 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 accident.

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.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**12: RISK MANAGEMENT (Continued)**

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 and contents.

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.

The District participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer, on behalf of member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of vehicles.

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.

**13: 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 \$755,497 for the year ended June 30, 2022.



TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2022

**14: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE**

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
Fund Balances:			
Nonspendable:			
Permanent fund principal			\$ 8,000
Restricted for:			
Enhanced student achievement funding	\$ 588,990		
English-language learners	10,144		
Professional development	98,265		
Child nutrition programs		\$ 691,890	
Juvenile detention	275,403		
Medical services		237,400	
Special education programs	61,707		
Enhanced student achievement mathcing grant	119,419		
Other purposes	52,094	25,235	160
Total Restricted	1,206,022	954,525	160
Assigned to:			
Capital projects			2,853,405
Student activities	436,191		
Total Assigned	436,191		2,853,405
Unassigned	7,082,391		
Totals	\$ 8,724,604	\$ 954,525	\$ 2,861,565

**15: PERMANENT FUND**

In a previous year, the District was endowed \$8,000 by the Buhrman Trust which is being maintained in a certificate of deposit classified as a nonparticipating contract. The interest proceeds from the certificate of deposit are to be used for improvements made to the Buhrman Baseball Field.

**16: SUBSEQUENT EVENT**

On July 11, 2022, the District entered into an agreement for various construction projects at Arkansas Middle School with a total guaranteed maximum price of \$2,238,973.

**17: SALE OF CAPITAL ASSETS**

The District received proceeds of \$118,585 from the sale of the former Washington Academy building and grounds.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2022  
(Unaudited)

Schedule 1

	Balance June 30, 2022
Nondepreciable capital assets:	
Land	\$ 1,574,874
Depreciable capital assets:	
Buildings	64,167,296
Improvements/infrastructure	22,822,097
Equipment	10,497,127
Total depreciable capital assets	97,486,520
Less accumulated depreciation for:	
Buildings	22,581,466
Improvements/infrastructure	6,663,128
Equipment	6,636,271
Total accumulated depreciation	35,880,865
Total depreciable capital assets, net	61,605,655
Capital assets, net	\$ 63,180,529

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	4605		\$ 647,248
National School Lunch Program (Note 3)	10.555			58,494
Arkansas Department of Education - National School Lunch Program	10.555	4605		1,769,984
Arkansas Department of Human Services - National School Lunch Program (Note 4)	10.555	4605000		185,952
Total for National School Lunch Program				2,014,430
Total U. S. Department of Agriculture				2,661,678
<b>TOTAL CHILD NUTRITION CLUSTER</b>				2,661,678
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	4605		856,749
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education Grants to States	84.027X	4605		136,013
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	4605		49,658
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education - Preschool Grants	84.173X	4605		5,036
Total U. S. Department of Education				1,047,456
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>				1,047,456
<b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - Child Nutrition Discretionary Grants Limited Availability	10.579	4605		49,412
Total U. S. Department of Agriculture				49,412
<u>U. S. Department of Defense</u>				
ROTC (Note 5)	12.ARJROTCA-22			33,709
Total U. S. Department of Defense				33,709
<u>U. S. Department of Justice</u>				
Public Safety Partnership and Community Policing Grants	16.710			7,176
Total U. S. Department of Justice				7,176
<u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4605		5,012,619
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	4605		948,841
Total Education Stabilization Fund				5,961,460
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	4605		2,533,857
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048A	4605		68,472
Magnet Schools Assistance	84.165A			1,893,696
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	4605		186,715
Arkansas Department of Education - Comprehensive Literacy Development	84.371C	4605		48,238
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	4605		287,927
Total U. S. Department of Education				10,980,365

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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>				
Arkansas Department of Education - Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.243	4605		\$ 211,437
Southwest Arkansas Educational Cooperative - COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A		25,967
Total U. S. Department of Health and Human Services				<u>237,404</u>
 TOTAL OTHER PROGRAMS				 <u>11,308,066</u>
 TOTAL EXPENDITURES OF FEDERAL AWARDS			 <u>\$ 0</u>	 <u>\$ 15,017,200</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 Texarkana Arkansas School District No. 7 (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 \$127,660 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER 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 type="text"/>	yes	<input checked="" type="text" value="X"/>	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

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
84.027A, 84.027X, 84.173A and 84.173X	Special Education Cluster (IDEA)
84.425D and 84.425U	COVID 19 - Education Stabilization Fund
84.424A	Student Support and Academic Enrichment Program

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

\$ 750,000

Auditee qualified as low-risk auditee?

<input type="text"/>	yes	<input checked="" type="text" value="X"/>	no
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TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

Schedule 3

**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**SIGNIFICANT DEFICIENCY**

U.S. DEPARTMENT OF EDUCATION  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
COVID - 19 - EDUCATION STABILIZATION FUND - AL NUMBER 84.425D  
PASS-THROUGH NUMBER 4605  
AUDIT PERIOD - YEAR ENDED JUNE 30, 2022

2022-001. Equipment and Real Property Management

Criteria: 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 three equipment items, costing \$4,079, purchased from the COVID-19 - Education Stabilization Funds.

Cause: Lack of internal controls over equipment subsidiary records.

Effect or potential effect: The District's equipment subsidiary records were not accurate.

Context: Selected 21 items with a total initial cost of \$93,791 for inspection purposes from a population of 206 equipment items with a total initial cost of \$4,283,051 recorded in the equipment subsidiary records for the Education Stabilization Fund program.

Recommendation: Proper records should be maintained for equipment acquired with federal awards.

Views of responsible officials: District will more closely monitor the inventories of fixed assets and equipment and supplies purchased with Federal and non-Federal funding. More indepth training will be provided to campus leadership and departmental heads on the disposal process of fixed assets and items purchased under Federal funding. The District will take every precaution necessary to ensure that fixed assets and items purchased with Federal funds will be handled appropriately throughout the life-cycle and assure that proper records are maintained for equipment in accordance with Arkansas Department of Elementary and Secondary Education, as well as Federal, guidelines and procedures for program expenditures.

Texarkana Arkansas School District 7



Summary Schedule of Prior Year Findings

For the Year Ended June 30, 2022

Financial Statement Findings:

There were no findings in the prior year audit

Federal Awarding Findings and Questioned Costs:

U. S. DEPARTMENT OF TREASURY  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
COVID 19 – CORONAVIRUS RELIEF FUND

2021 – Finding 2021-001: Covid 19 – Coronavirus Relief Fund – AL Number 21.019

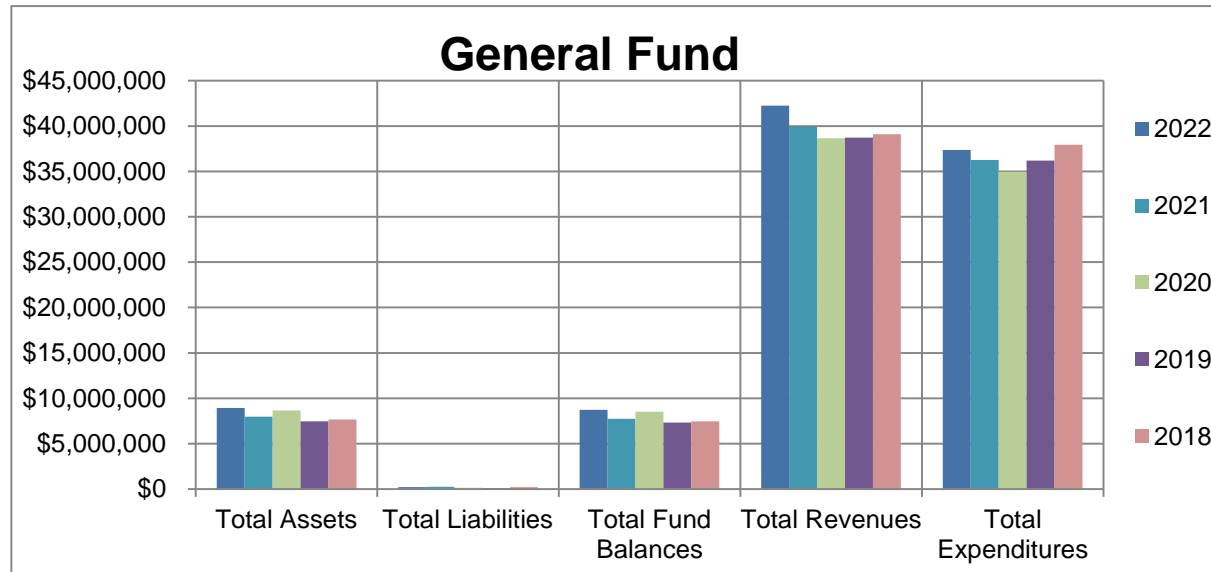
Condition: In our tests of payroll expenditures, we identified unallowable payroll costs totaling \$1,828 that were paid from the COVID 19 – Coronavirus Relief Fund. These costs were a result of the District incorrectly calculating salary and fringe benefits for the twenty (20) employees tested.

Current Status: Corrective action was taken. The District continues to review and follow directives on proper calculation of grant funds and these directives are and will be thoroughly verified prior to any disbursement of funds. The District continues to take every precaution necessary to ensure that all calculation are done in accordance with Arkansas Department of Elementary and Secondary Education, as well as Federal, guidelines and procedures for program expenditures.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2022  
(Unaudited)

Schedule 5

<u>General Fund</u>	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 8,948,043	\$ 7,984,191	\$ 8,677,276	\$ 7,450,742	\$ 7,677,974
Total Liabilities	223,439	247,657	164,263	118,450	217,607
Total Fund Balances	8,724,604	7,736,534	8,513,013	7,332,292	7,460,367
Total Revenues	42,240,957	39,933,059	38,637,563	38,724,594	39,084,967
Total Expenditures	37,370,941	36,251,720	34,962,684	36,183,655	37,936,728
Total Other Financing Sources (Uses)	(3,881,946)	(4,647,203)	(2,494,158)	(2,669,014)	(3,543,009)

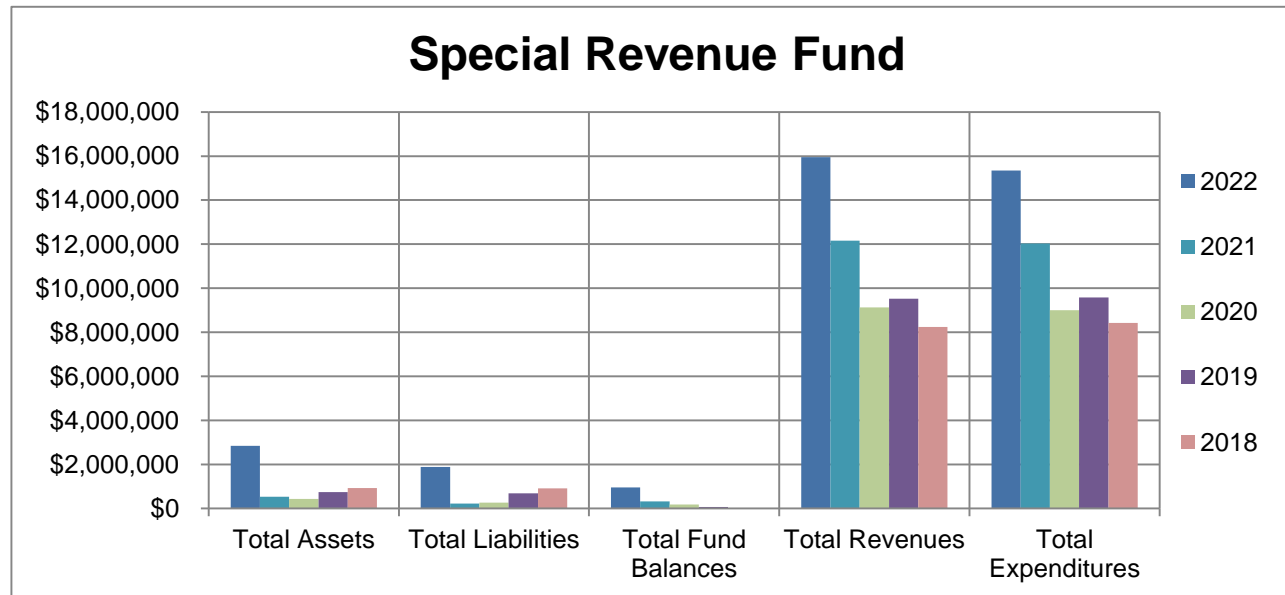




TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2022  
(Unaudited)

Schedule 5

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 2,837,702	\$ 532,852	\$ 438,631	\$ 742,176	\$ 920,386
Total Liabilities	1,883,177	215,911	257,967	679,941	905,877
Total Fund Balances	954,525	316,941	180,664	62,235	14,509
Total Revenues	15,958,697	12,164,058	9,126,205	9,524,185	8,236,385
Total Expenditures	15,347,080	12,026,724	9,007,776	9,585,692	8,425,668
Total Other Financing Sources (Uses)	25,967	(1,057)		109,233	



TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7  
MILLER COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2022  
(Unaudited)

Schedule 5

<b>Other Aggregate Funds</b>	Year Ended June 30,				
	2022	2021	2020	2019	2018
Total Assets	\$ 2,862,401	\$ 1,702,766	\$ 11,118,815	\$ 20,839,587	\$ 23,204,950
Total Liabilities	836	335,768	1,340,829		6,561
Total Fund Balances	2,861,565	1,366,998	9,777,986	20,839,587	23,198,389
Total Revenues	20	3,106,284	3,161,333	277,451	82,945
Total Expenditures	2,505,984	16,969,354	16,820,167	5,235,018	4,738,805
Total Other Financing Sources (Uses)	4,000,531	5,452,082	2,597,233	2,598,765	24,701,948

