

Texarkana Arkansas School District No. 7

Miller County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2023



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MILLER 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

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, 2023, 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, 2023, 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, 2023, 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 April 1, 2024 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
April 1, 2024
EDSD24723

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

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, 2023, 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 April 1, 2024. 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, 2023, 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 April 1, 2024.

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 slanted style.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
April 1, 2024

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

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

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

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, 2023. 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 Number 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, 2023.

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, 2023.

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.

Matter 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 number 2023-001 for Special Tests and Provisions.

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 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 2023-002.

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. 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 2023-001 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-002 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 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
April 1, 2024

Arkansas

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

In March, April, and August 2023, eight unauthorized withdrawals totaling \$377,793 were made from the District's bank account. District personnel discovered the unauthorized withdrawals upon reviewing the affected bank account. All funds were recovered from the bank.

Bid and construction bond requirements were not met for a fiber upgrade project in the amount of \$62,354, as required by Ark. Code Ann. §§ 22-9-203 and 18-44-503, respectively.

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
April 1, 2024

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2023

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 8,610,128	\$ 295,535	\$ 1,004,296	\$ 194,754
Investments			8,000	10,000
Accounts receivable	492	1,998,802		
Due from other funds	55,607			
Interest receivable	56,947			
TOTAL ASSETS	\$ 8,723,174	\$ 2,294,337	\$ 1,012,296	\$ 204,754
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 298,684	\$ 844,008	\$ 15,627	
Due to other funds		55,607		
Total Liabilities	298,684	899,615	15,627	
Fund Balances:				
Nonspendable			8,000	\$ 10,000
Restricted	867,233	1,394,722	176	194,754
Assigned	411,090		988,493	
Unassigned	7,146,167			
Total Fund Balances	8,424,490	1,394,722	996,669	204,754
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,723,174	\$ 2,294,337	\$ 1,012,296	\$ 204,754

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, 2023

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 18,868,705		
State assistance	22,391,585	\$ 14,218	
Federal assistance		22,027,146	
Activity revenues	510,891		
Meal sales		253,861	
Investment income	406,413		\$ 16
Other revenues	413,022	5,000	100
TOTAL REVENUES	42,590,616	22,300,225	116
EXPENDITURES			
Regular programs	19,361,697	4,396,470	41,938
Special education	2,120,160	1,129,440	
Career education programs	585,292	161,580	
Compensatory education programs	572,720	895,126	
Other instructional programs	1,335,780	80,101	
Student support services	1,983,839	731,645	
Instructional staff support services	2,176,634	4,667,491	
General administration support services	807,155	573,438	
School administration support services	2,429,888	140,814	
Central services support services	1,195,797	310,628	
Operation and maintenance of plant services	6,168,828	1,301,991	462,007
Student transportation services	2,064,417	458,731	
Other support services	59,422		
Food services operations	5,327	2,882,824	
Community services operations		5,556	
Facilities acquisition and construction services		3,915,471	1,360,967
Non-programmed costs		245,963	
Activity expenditures	520,277		
Debt Service:			
Principal retirement			540,000
Interest and fiscal charges			959,019
TOTAL EXPENDITURES	41,387,233	21,897,269	3,363,931
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	1,203,383	402,956	(3,363,815)
OTHER FINANCING SOURCES (USES)			
Transfers in			1,498,919
Transfers out	(1,498,919)		
Federal grant revenue passed through from a cooperative		37,241	
Refund to grantor	(4,578)		
TOTAL OTHER FINANCING SOURCES (USES)	(1,503,497)	37,241	1,498,919
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(300,114)	440,197	(1,864,896)
FUND BALANCES - JULY 1	8,724,604	954,525	2,861,565
FUND BALANCES - JUNE 30	\$ 8,424,490	\$ 1,394,722	\$ 996,669

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 -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 19,067,787	\$ 18,868,705	\$ (199,082)			
State assistance	22,478,561	22,391,585	(86,976)	\$ 13,000	\$ 14,218	\$ 1,218
Federal assistance				34,000,444	22,027,146	(11,973,298)
Activity revenues	851	510,891	510,040			
Meal sales				218,850	253,861	35,011
Investment income	20,600	406,413	385,813			
Other revenues	361,309	413,022	51,713		5,000	5,000
TOTAL REVENUES	41,929,108	42,590,616	661,508	34,232,294	22,300,225	(11,932,069)
EXPENDITURES						
Regular programs	18,092,996	19,361,697	(1,268,701)	4,007,564	4,396,470	(388,906)
Special education	2,546,747	2,120,160	426,587	1,242,062	1,129,440	112,622
Career education programs	566,601	585,292	(18,691)	36,508	161,580	(125,072)
Compensatory education programs	535,644	572,720	(37,076)	1,087,638	895,126	192,512
Other instructional programs	1,323,564	1,335,780	(12,216)	24,417	80,101	(55,684)
Student support services	1,946,751	1,983,839	(37,088)	1,050,867	731,645	319,222
Instructional staff support services	1,967,286	2,176,634	(209,348)	4,665,759	4,667,491	(1,732)
General administration support services	853,706	807,155	46,551	607,154	573,438	33,716
School administration support services	2,357,059	2,429,888	(72,829)	193,330	140,814	52,516
Central services support services	1,268,317	1,195,797	72,520	513,164	310,628	202,536
Operation and maintenance of plant services	5,603,287	6,168,828	(565,541)	1,687,366	1,301,991	385,375
Student transportation services	1,311,784	2,064,417	(752,633)	594,998	458,731	136,267
Other support services	72,444	59,422	13,022			
Food services operations	30,000	5,327	24,673	3,203,720	2,882,824	320,896
Community services operations				52,922	5,556	47,366
Facilities acquisition and construction services				1,483,670	3,915,471	(2,431,801)
Non-programmed costs				284,466	245,963	38,503
Activity expenditures	817	520,277	(519,460)			
TOTAL EXPENDITURES	38,477,003	41,387,233	(2,910,230)	20,735,605	21,897,269	(1,161,664)

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, 2023

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 3,452,105	\$ 1,203,383	\$ (2,248,722)	\$ 13,496,689	\$ 402,956	\$ (13,093,733)
OTHER FINANCING SOURCES (USES)						
Transfers in	52,439,491		(52,439,491)			
Transfers out	(52,155,025)	(1,498,919)	50,656,106			
Federal grant revenue passed through from a cooperative					37,241	37,241
Refund to grantor		(4,578)	(4,578)			
TOTAL OTHER FINANCING SOURCES (USES)	284,466	(1,503,497)	(1,787,963)		37,241	37,241
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	3,736,571	(300,114)	(4,036,685)	13,496,689	440,197	(13,056,492)
FUND BALANCES - JULY 1	9,147,893	8,724,604	(423,289)	995,335	954,525	(40,810)
FUND BALANCES - JUNE 30	\$ 12,884,464	\$ 8,424,490	\$ (4,459,974)	\$ 14,492,024	\$ 1,394,722	\$ (13,097,302)

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, 2023

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, 2023

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:

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.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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. Interfund Receivables and Payables

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

H. 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.

I. 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.

J. 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.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Minimum Fund Balance Policies

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

L. 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.

M. 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)	\$ 10,117,103	\$ 11,108,063

The above total deposits do not include cash on hand of \$5,610. 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.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2023, were comprised of the following

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 492	
Federal assistance		\$ 1,998,802
Totals	\$ 492	\$ 1,998,802

4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2023, were comprised of the following:

Description	Governmental Funds		
	Major		Other
	General	Special Revenue	Aggregate
Vendor payables	\$ 297,957	\$ 844,008	\$ 15,627
Payroll withholdings	727		
Totals	\$ 298,684	\$ 844,008	\$ 15,627

5: COMMITMENTS

The District was contractually obligated for the following at June 30, 2023:

A. Construction Contracts

Project Name	Completion Date	Contract Balance
North Heights HVAC	November 1, 2023	\$ 2,406,952
AMS Bus Canopy	August 31, 2023	48,551
AMS Outdoor Classroom	August 31, 2023	25,663
AMS Tennis Courts	October 13, 2023	70,076
AMS Walking Trail	August 3, 2023	60,278
PreK/AHS Restroom Remodel	November 15, 2023	668,608
Band Hall Expansion	February 29, 2024	1,895,393

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

5: COMMITMENTS (Continued)

B. 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, 2023: \$212,584
2. Future minimum lease payments for the succeeding years:

Year Ended June 30,	Amount
2024	\$ 169,241
2025	43,343
Total	\$ 212,584

Lease payments for the leases described above were approximately \$185,752 for the year ended June 30, 2023.

C. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2023	Maturities To June 30, 2023
Bonds					
5/1/15	2/1/30	1 - 2.5%	\$ 2,330,000	\$ 935,000	\$ 1,395,000
9/1/16	2/1/30	1 - 1.8%	5,135,000	3,105,000	2,030,000
3/3/21	2/1/48	1 - 2.5%	44,535,000	44,535,000	
Total Long-Term Debt			\$ 52,000,000	\$ 48,575,000	\$ 3,425,000

Changes in Long-term Debt

	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023
Bonds payable	\$ 49,115,000	\$ 0	\$ 540,000	\$ 48,575,000

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

5: COMMITMENTS (Continued)

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

Future Principal and Interest Payments

Year Ended June 30,	Bonds		
	Principal	Interest	Total
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	1,730,000	865,495	2,595,495
2029-2033	9,015,000	3,962,468	12,977,468
2034-2038	9,750,000	3,227,769	12,977,769
2039-2043	10,760,000	2,211,240	12,971,240
2044-2048	12,050,000	909,910	12,959,910
Totals	\$ 48,575,000	\$ 14,875,328	\$ 63,450,328

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.

6: 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 \$63,450,328, payable through February 1, 2048. Principal and interest paid for the current year and total property taxes pledged for debt service were \$1,497,895 and \$6,742,288, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 22.22 percent.

7: INTERFUND TRANSFERS

The District transferred \$1,498,919 from the general fund to the other aggregate funds for debt related payments.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

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 501-682-1517, or by visiting the ATRS website at www.artns.gov.

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 15% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2023, were \$4,540,179, 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, 2022, (actuarial valuation date and measurement date) was \$44,296,099.

9: CHANGES IN PRIVATE-PURPOSE FUNDS

ADDITIONS	
Donations	\$ 16,550
Interest	1
TOTAL ADDITIONS	16,551
DEDUCTIONS	
Scholarships	13,500
Other expenses	1,470
TOTAL DEDUCTIONS	14,970
CHANGE IN FUND BALANCE	1,581
FUND BALANCE - JULY 1	203,173
FUND BALANCE - JUNE 30	\$ 204,754

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 expenses related to the FFA program.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

11: 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.

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.

12: 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 \$1,080,038 for the year ended June 30, 2023.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

13: 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	\$ 451,542		
English-language learners	18,032		
Professional development	121,359		
Child nutrition programs		\$ 854,693	
Juvenile detention	146,882		
Medical services		413,927	
Special education programs	4,770		
Enhanced student achievement matching grant	92,408		
Child care and development		101,775	
Other purposes	32,240	24,327	176
Total Restricted	<u>867,233</u>	<u>1,394,722</u>	<u>176</u>
Assigned to:			
Capital projects			988,493
Student activities	411,090		
Total Assigned	<u>411,090</u>		<u>988,493</u>
Unassigned	<u>7,146,167</u>		
Totals	<u>\$ 8,424,490</u>	<u>\$ 1,394,722</u>	<u>\$ 996,669</u>

14: PERMANENT FUND

In a previous year, the District was endowed \$8,000 by the Buhman 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 Buhman Baseball Field.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
(Unaudited)

Schedule 1

	Balance <u>June 30, 2023</u>
Nondepreciable capital assets:	
Land	\$ 1,574,874
Construction in progress	4,930,560
Total nondepreciable capital assets	<u>6,505,434</u>
Depreciable capital assets:	
Buildings	64,177,864
Improvements/infrastructure	22,878,106
Equipment	12,234,043
Total depreciable capital assets	<u>99,290,013</u>
Less accumulated depreciation for:	
Buildings	23,696,483
Improvements/infrastructure	7,738,224
Equipment	7,218,109
Total accumulated depreciation	<u>38,652,816</u>
Total depreciable capital assets, net	<u>60,637,197</u>
Capital assets, net	<u><u>\$ 67,142,631</u></u>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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	4605		\$ 539,397
National School Lunch Program (Note 5)	10.555			80,605
Arkansas Department of Education - National School Lunch Program	10.555	4605		2,045,191
Arkansas Department of Human Services - National School Lunch Program (Note 6)	10.555	4605000		241,114
Total for National School Lunch Program				<u>2,366,910</u>
Total U. S. Department of Agriculture				<u>2,906,307</u>
TOTAL CHILD NUTRITION CLUSTER				<u>2,906,307</u>
 SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	4605		1,125,464
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education Grants to States	84.027X	4605		58,096
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	4605		40,057
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education - Preschool Grants	84.173X	4605		8,900
Total U. S. Department of Education				<u>1,232,517</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>1,232,517</u>
 OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
ROTC (Note 7)	12.ARJROTCA-23			55,607
Total U. S. Department of Defense				<u>55,607</u>
 <u>U. S. Department of Justice</u>				
Public Safety Partnership and Community Policing Grants	16.710			381,294
Total U. S. Department of Justice				<u>381,294</u>
 <u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	4605		2,894,204
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	4605		8,836,062
Total Education Stabilization Fund				<u>11,730,266</u>
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	4605		2,592,458
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048A	4605		122,243
Magnet Schools Assistance	84.165A			1,914,275
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	4605		386,017
Arkansas Department of Education - Comprehensive Literacy Development	84.371C	4605		10,644
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	4605		67,208
Total U. S. Department of Education				<u>16,823,111</u>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2023

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		\$ 234,429
Southwest Arkansas Educational Cooperative - COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	N/A		<u>34,411</u>
Total U. S. Department of Health and Human Services				<u>268,840</u>
TOTAL OTHER PROGRAMS				<u>17,528,852</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 21,667,676</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, 2023. 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: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 4: During the year ended June 30, 2023, the District received Medicaid funding of \$128,163 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.
- Note 5: 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 6: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.
- Note 7: The Federal Assistance Listing Number was not available. An alternative identifying number was utilized.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

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

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

Noncompliance material to financial statements noted? yes no

FEDERAL AWARDS

Internal control over major federal programs:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? yes none reported

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

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

Identification of major federal programs:

AL Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010A	Title I Grants to Local Educational Agencies
84.425D and 84.425U	COVID-19 - Education Stabilization Fund
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance

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

Auditee qualified as low-risk auditee? yes no

SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

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 NUMBER 84.425
PASS-THROUGH NUMBER 4605
AUDIT PERIOD - YEAR ENDED JUNE 30, 2023

2023-001. Special Tests and Provisions

Criteria or specific requirement (including statutory, regulatory, or other citation): 29 CFR 5.5 (Wage Rate Requirements) requires all contractors and subcontractors performing construction contracts in excess of \$2,000, financed by federal assistance funds, to pay laborers and mechanics employed by the contractor or subcontractor not less than the prevailing wage rates established by the Department of Labor for the locality of the project. Non-federal entities shall include in the applicable construction contracts a provision that the contractor or subcontractor comply with those requirements. Such requirements include the submission of weekly certified payrolls for each week in which any contract work is performed, to the non-federal entities.

Condition: The District paid \$385,755, \$336,016, \$2,440,820, and \$242,812 for the Arkansas Middle School Canopy, Arkansas Middle School Outdoor Classroom, North Heights HVAC, and PreK Restroom Remodel, respectively, from the Education Stabilization Fund without weekly certified payrolls being submitted to the District.

Cause: Lack of internal controls and management oversight.

Effect or potential effect: The District did not comply with Wage Rate Requirements.

Context: A total of four contracts for facility repairs and improvements were paid from the Education Stabilization Fund. All were examined.

Identification as a repeat finding: No

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: The District has made several attempts to secure weekly certified payrolls for construction projects ongoing since July 2023 once notified of this deficiency for the 2022-2023 audit. We will continue to request certified payrolls for the months prior to April 2024 and will request the payroll information for current and future construction projects from this point forward. Documentation of attempts to collect the information will be maintained. This will be monitored by the Comptroller and Business Manager for the District.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 3

SIGNIFICANT DEFICIENCY

U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
SUBSTANCE ABUSE AND MENTAL HEALTH SERVICES PROJECTS OF REGIONAL AND NATIONAL SIGNIFICANCE - AL NUMBER 93.243
PASS-THROUGH NUMBER 4605
AUDIT PERIOD - YEAR ENDED JUNE 30, 2023

2023-002. Reporting

Criteria or specific requirement: The District is required to submit a semi-annual and final financial report for each award year to the Arkansas Division of Elementary and Secondary Education (DESE). Reports should be accurate and supported with proper documentation.

Condition: The final financial report submitted by the District to DESE for the Substance Abuse and Mental Health Services Project Award Year 4 Grant was not complete and did not receive final approval from DESE. Additionally, the mid-year financial report for Award Year 5 submitted by the District to DESE did not agree with the underlying accounting records for the period covered.

Cause: Lack of internal controls and management oversight.

Effect or potential effect: The District did not comply with the reporting requirements.

Context: Examined mid-year and final financial reports.

Identification as a repeat finding: No

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: The District will contact DESE to determine if further steps are needed. The Assistant Superintendent of Student Services will facilitate this action.



3512 Grand Ave.
Texarkana, Arkansas 71854
www.tasd7.net

Administration Building
(870) 772-3371
Fax: (870) 772-2602

**Little Business and
Technology Center**
(870) 772-3371
Fax: (870) 772-2047

College Hill Pre-K Center
(870) 774-9111
Fax: (870) 773-0643

Fairview Elementary
(870) 774-9241
Fax: (870) 774-0236

Harmony Leadership Academy
(870) 772-0281
Fax: (870) 773-0068

Kilpatrick Elementary
(870) 774-9691
Fax: (870) 772-4386

North Heights Community School
(870) 773-1091
Fax: (870) 772-2722

Trice Elementary
(870) 772-8431
Fax: (870) 773-1492

Arkansas Middle School
(870) 621-3990
Fax: (870) 621-3991

Arkansas High School
(870) 774-7641
Fax: (870) 773-8408

Digital Learning Academy
(870) 773-1091
Fax: (870) 772-2722

Athletic Department
(870) 774-8532
Fax: (870) 774-4504

**Food Service
Maintenance and Transportation**
(870) 772-1401
Fax: (870) 772-6396

Gifted and Talented
(870) 772-3371
Fax: (870) 772-2602

Special Services
(870) 772-9815
Fax: (870) 772-1867

District Security
(870) 772-3371
Fax: (870) 772-2602

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS

There were no findings in the prior audit.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. DEPARTMENT OF EDUCATION
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION
COVID-19 EDUCATION STABILIZATION FUND

2022- Finding 2022-001: Covid-19 Education Stabilization Fund
AL NUMBER 84.425D

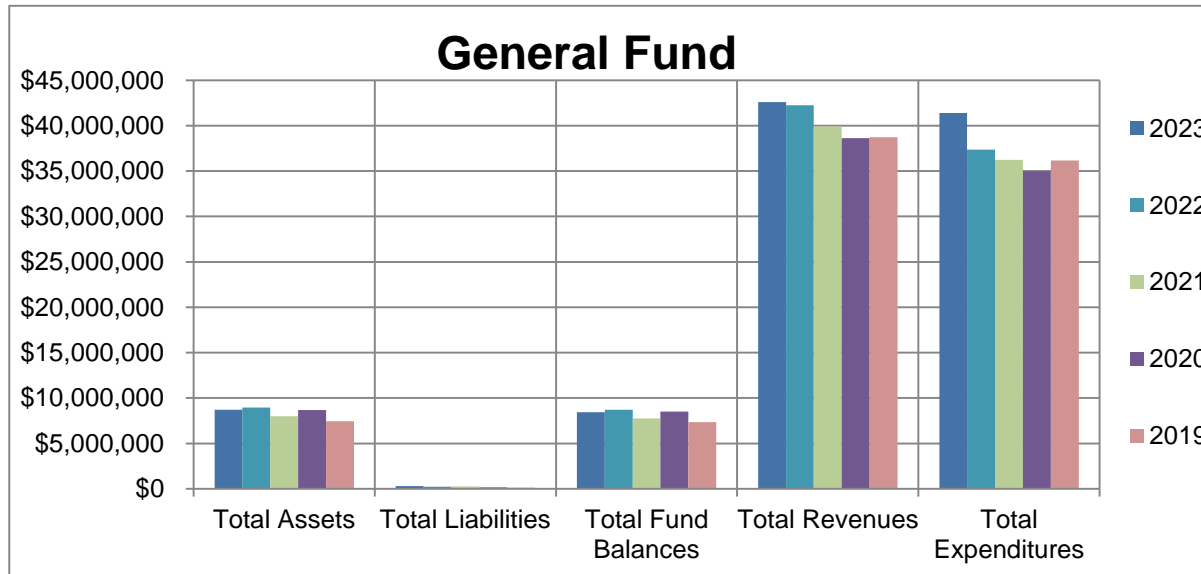
Condition: The District could not account for three equipment items costing \$4,079 purchased from the Covid-19 Education Stabilization Funds.

Current Status: Corrective action was taken. The District provided training to campus leaders and departmental heads on the proper disposal processes for fixed assets and items purchased under federal and district funding during August 2023 administrator training. The federal programs director followed up with conversations with principals, maintenance, and other lead staff to ensure that proper procedures for maintaining fixed assets and other equipment are followed. Records of equipment are maintained in accordance with Arkansas Department of Elementary and Secondary

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, 2023
(Unaudited)

Schedule 5

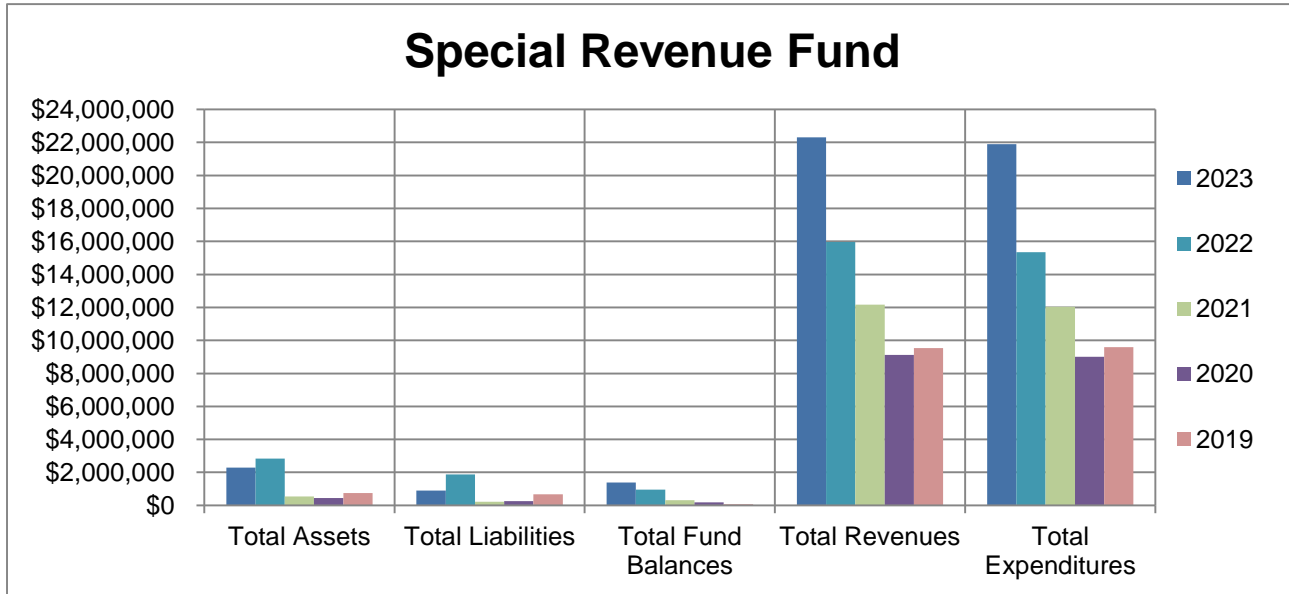
General Fund	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 8,723,174	\$ 8,948,043	\$ 7,984,191	\$ 8,677,276	\$ 7,450,742
Total Liabilities	298,684	223,439	247,657	164,263	118,450
Total Fund Balances	8,424,490	8,724,604	7,736,534	8,513,013	7,332,292
Total Revenues	42,590,616	42,240,957	39,933,059	38,637,563	38,724,594
Total Expenditures	41,387,233	37,370,941	36,251,720	34,962,684	36,183,655
Total Other Financing Sources (Uses)	(1,503,497)	(3,881,946)	(4,647,203)	(2,494,158)	(2,669,014)



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, 2023
(Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 2,294,337	\$ 2,837,702	\$ 532,852	\$ 438,631	\$ 742,176
Total Liabilities	899,615	1,883,177	215,911	257,967	679,941
Total Fund Balances	1,394,722	954,525	316,941	180,664	62,235
Total Revenues	22,300,225	15,958,697	12,164,058	9,126,205	9,524,185
Total Expenditures	21,897,269	15,347,080	12,026,724	9,007,776	9,585,692
Total Other Financing Sources (Uses)	37,241	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, 2023
(Unaudited)

Schedule 5

Other Aggregate Funds	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 1,012,296	\$ 2,862,401	\$ 1,702,766	\$ 11,118,815	\$ 20,839,587
Total Liabilities	15,627	836	335,768	1,340,829	
Total Fund Balances	996,669	2,861,565	1,366,998	9,777,986	20,839,587
Total Revenues	116	20	3,106,284	3,161,333	277,451
Total Expenditures	3,363,931	2,505,984	16,969,354	16,820,167	5,235,018
Total Other Financing Sources (Uses)	1,498,919	4,000,531	5,452,082	2,597,233	2,598,765

