

**NORTH LITTLE ROCK SCHOOL
DISTRICT NO. 1
NORTH LITTLE ROCK, ARKANSAS**

**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023

with

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

Opinions

We have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of the North Little Rock School District No. 1 (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 financial statements as listed in the table of contents.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the 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 statement of revenues, expenditures and changes in fund balance 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 provision of Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to 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 fund balance for the year then ended. Further, the District has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Basis for Opinions

We conducted our audit in accordance with 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. 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 North Little Rock School District No. 1 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, the financial statements are prepared by the District on the basis of the financial reporting provisions of Arkansas 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 determined, 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 practices prescribed by Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is described in Note 1. 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 generally accepted auditing standards 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 generally accepted auditing standards 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 state assistance and 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*, are presented for purposes of additional analysis and are 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 state assistance, schedule of statutes required by Arkansas Department of Education and the schedule of expenditures of federal awards are 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 annual report. The other information comprises the schedule of capital assets and supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines but does not include the regulatory financial statements and our auditor's report thereon. Our opinions on the regulatory 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 financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 13, 2024, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is 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.

HCS CPAs & Advisors, PLLC

Little Rock, Arkansas
February 13, 2024

FINANCIAL STATEMENTS

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1**BALANCE SHEET - REGULATORY BASIS****JUNE 30, 2023**

	Governmental Funds			
	Major			Fiduciary Fund Types
	General Fund	Special Revenue Fund	Other Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 9,457,886	\$ 5,172,084	\$ 40,207,471	\$ 703,142
Due from Other Governments	-	3,800,288	-	-
Due from Other Funds	3,732,018	-	-	-
	<u>\$ 13,189,904</u>	<u>\$ 8,972,372</u>	<u>\$ 40,207,471</u>	<u>\$ 703,142</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 192,329	\$ 1,511	\$ 100,060	\$ 1,288
Accrued Expenses	7,267	508	-	129
Due to Other Funds	-	3,732,018	-	-
Due to Student Groups	-	-	-	701,725
Total Liabilities	<u>199,596</u>	<u>3,734,037</u>	<u>100,060</u>	<u>703,142</u>
Fund Balances:				
Restricted:				
State Programs	68,020	-	-	-
Federal Programs	-	5,238,335	-	-
Assigned:				
Capital Projects	-	-	40,107,411	-
Unassigned	12,922,288	-	-	-
Total Fund Balances	<u>12,990,308</u>	<u>5,238,335</u>	<u>40,107,411</u>	<u>-</u>
	<u>\$ 13,189,904</u>	<u>\$ 8,972,372</u>	<u>\$ 40,207,471</u>	<u>\$ 703,142</u>

See accompanying notes.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - REGULATORY BASIS
YEAR ENDED JUNE 30, 2023

	Major		
	General Fund	Special Revenue Fund	Other Governmental Funds
REVENUES			
Property Taxes	\$ 41,512,956	\$ -	\$ -
Interest	1,727,245	38,794	-
State Revenues	48,922,930	26,613	-
Federal Revenues	-	25,715,755	-
Food Services	-	117,644	-
Other	1,586,249	30,325	-
	<u>93,749,380</u>	<u>25,929,131</u>	<u>-</u>
EXPENDITURES			
Current:			
Instruction and Instructional - Related Services	45,367,212	9,267,791	-
Support Services	30,728,134	9,127,362	-
Non-Instructional Services	1,522	6,034,835	-
Other	11,733	676,503	-
Debt Service:			
Principal Retirement	-	-	1,000,000
Interest and Fiscal Charges	-	-	4,304,592
Paying Agent's Fees	-	-	2,850
Capital Outlay	<u>891,564</u>	<u>426,410</u>	<u>2,554,417</u>
	<u>77,000,165</u>	<u>25,532,901</u>	<u>7,861,859</u>
Excess (Deficiency) of Revenue Over Expenditures	16,749,215	396,230	(7,861,859)
OTHER FINANCING (USES) SOURCES			
Transfers, Net	<u>(17,206,791)</u>	<u>529</u>	<u>17,206,262</u>
Net Change in Fund Balances	(457,576)	396,759	9,344,403
Fund Balance - Beginning	<u>13,447,884</u>	<u>4,841,576</u>	<u>30,763,008</u>
Fund Balance - Ending	<u>\$ 12,990,308</u>	<u>\$ 5,238,335</u>	<u>\$ 40,107,411</u>

See accompanying notes.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET TO ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS -
REGULATORY BASIS****YEAR ENDED JUNE 30, 2023**

	General Fund		
	Budget	Actual	Variance
REVENUES			
Property Taxes	\$ 41,512,956	\$ 41,512,956	\$ -
Interest	1,727,245	1,727,245	-
State Revenues	48,922,930	48,922,930	-
Federal Revenues	-	-	-
Food Services	-	-	-
Other	1,585,720	1,586,249	529
	<u>93,748,851</u>	<u>93,749,380</u>	<u>529</u>
EXPENDITURES			
Current:			
Instruction and Instructional-Related Services	45,309,407	45,367,212	(57,805)
Support Services	30,859,766	30,728,134	131,632
Non-Instructional Services	1,521	1,522	(1)
Other	11,735	11,733	2
Capital Outlay	602,386	891,564	(289,178)
	<u>76,784,815</u>	<u>77,000,165</u>	<u>(215,350)</u>
Excess (Deficiency) of Revenues Over Expenditures	16,964,036	16,749,215	(214,821)
OTHER FINANCING (USES) SOURCES			
Transfers, Net	(17,206,262)	(17,206,791)	(529)
Net Change in Fund Balances	<u>\$ (242,226)</u>	<u>\$ (457,576)</u>	<u>\$ (215,350)</u>

See accompanying notes.

Special Revenue Fund

Budget	Actual	Variance
\$ -	\$ -	\$ -
38,794	38,794	-
26,613	26,613	-
26,078,557	25,715,755	(362,802)
117,644	117,644	-
30,325	30,325	-
<u>26,291,933</u>	<u>25,929,131</u>	<u>(362,802)</u>
9,236,080	9,267,791	(31,711)
9,166,942	9,127,362	39,580
6,197,354	6,034,835	162,519
676,545	676,503	42
329,211	426,410	(97,199)
<u>25,606,132</u>	<u>25,532,901</u>	<u>73,231</u>
685,801	396,230	(289,571)
<u>-</u>	<u>529</u>	<u>529</u>
<u>\$ 685,801</u>	<u>\$ 396,759</u>	<u>\$ (289,042)</u>

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The North Little Rock School District No.1 (the "District") operates schools for students in grades Pre-Kindergarten through twelve in North Little Rock, Arkansas. The District operates under current standards prescribed by the Arkansas Department of Education in accordance with the provision of the School Laws of Arkansas. The Board of Education, a seven (7) 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 District. There are no component units.

Fund Accounting

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

General Fund - The General Fund is the general operating fund and is used to account for all financial resources, except those required to be 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 or capital projects. 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 expenditures for principal and interest.

Fiduciary Fund types include the following:

Agency Funds - Agency Funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities).

Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Arkansas Code Ann. 10-4-413 (c), as provided in Act 2205 of 2005 and amended by Act 867 of 2019, 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.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP requires that basic financial statements present government-wide financial statements. Additionally, GAAP requires the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, recording a right-of-use asset and liability for leases with a term of greater than 12 months, 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. 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 finance leases are reported as other financing sources.

Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see "Property Taxes" subtitle below).

Capital Assets

Information on capital assets and related depreciation is reported in the accompanying Schedule of Capital Assets. 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 fair 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>
Buildings and Improvements	30
Furniture and Equipment	4 - 10
Vehicles and Buses	4 - 10

Property Taxes

Property taxes are levied in November based on property assessment made between January 1 and May 31 and are an enforceable lien on January 1 for real property and June 1 for personal property. The tax records are opened on the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

Amendment No. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Arkansas 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.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Interfund Receivables and Payables

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

Fund Balance Classifications

Under the RBA, fund balance is reported under the following five classifications:

- 1. Nonspendable Fund Balance** - includes amounts that are not in a spendable form or are required to be maintained intact. The District does not have any nonspendable fund balances at year-end.
- 2. Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation such as debt service payments. The Restricted for State Programs and Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements.
- 3. Committed Fund Balance** - includes amounts that can be used only for specific purposes determined by a formal action of the District's highest level of decision-making authority (the Board of Education) and does not lapse at year-end. The District does not have any committed fund balances at year-end.
- 4. Assigned Fund Balance** - includes amounts intended for a specific purpose by the Board of Education or by a District official that has been delegated authority to assign amounts. The District has capital projects assigned at year-end for construction or other capital outlay projects.
- 5. Unassigned Fund Balance** - includes any remaining fund balance that has not been reported in any other classification. 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.

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 common for an individual source of funds to contain restricted and unrestricted (committed, assigned or unassigned) funds. The District has 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. The District's policy is to have expenditures spent from restricted amounts first at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District has 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, restricted fund balance is reduced first, followed by committed fund balance (if any), assigned fund balance, and lastly unassigned fund balance.

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.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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 on 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. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

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.

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.

Minimum Fund Balance Policies

The District's Board of Education has formally adopted a minimum fund balance policy that the District shall maintain a fiscal year end net legal balance of at least nine percent not to exceed twenty percent of net legal revenues.

Encumbrances

The District does not utilize encumbrance accounting.

Subsequent Events

The District has evaluated all subsequent events for potential recognition and disclosure through February 13, 2024, the date these financials statements were available to be issued.

Note 2: Cash Deposits with Financial Institutions

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

	<u>Carrying Value</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized - held by pledging bank or pledging bank trust department in the District's name	<u>55,040,583</u>	<u>59,864,316</u>
Total deposits	<u>\$ 55,540,583</u>	<u>\$ 60,364,316</u>

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 3: Accounts Payable and Accrued Expenses

The accounts payable balance and accrued expenses on the balance sheet consists of the following at June 30, 2023:

Class of Payable	Governmental Funds				Total
	Major				
	General Fund	Special Revenue Fund	Other Governmental Funds	Fiduciary Fund Types	
Vendor Payables	\$ 192,329	\$ 1,511	\$ 100,060	\$ 1,288	\$ 295,188
Benefits Payable	7,267	508	-	129	7,904
Totals	\$ 199,596	\$ 2,019	\$ 100,060	\$ 1,417	\$ 303,092

Note 4: Commitments

Construction Commitments

At June 30, 2023, the District was contractually obligated for one construction and renovation project within the District, with a remaining contract balance of approximately \$1,452,000. This project is estimated to be completed during 2024.

Long-Term Debt Issued and Outstanding

The District is presently paying on the following bonds payable:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2023	Maturities to June 30, 2023
03/01/2021	2/01/2043	2.00 - 5.00%	169,985,000	169,985,000	-
12/01/2021	2/01/2036	2.00 - 5.00%	18,830,000	17,830,000	1,000,000
Totals			<u>\$ 188,815,000</u>	<u>\$ 187,815,000</u>	<u>\$ 1,000,000</u>

Changes in long-term debt as follows:

Description	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023
Bonds Payable	\$ 188,815,000	\$ -	\$ 1,000,000	\$ 187,815,000

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Total long-term debt principal and interest payments are as follows:

Year Ended June 30	Principal	Interest	Total
2024	\$ 1,105,000	\$ 4,162,250	\$ 5,267,250
2025	1,210,000	4,107,000	5,317,000
2026	5,210,000	4,046,500	9,256,500
2027	8,085,000	3,786,000	11,871,000
2028	8,295,000	3,584,700	11,879,700
2029 - 2033	46,835,000	14,688,350	61,523,350
2034 - 2038	55,285,000	9,544,700	64,829,700
2039 - 2043	<u>61,790,000</u>	<u>3,761,600</u>	<u>65,551,600</u>
Totals	<u>\$ 187,815,000</u>	<u>\$ 47,681,100</u>	<u>\$ 235,496,100</u>

Note 5: Interfund Transfers

The following details the transfers between governmental funds for operating purposes, debt payments, and supplemental future capital projects:

	General Fund	Special Revenue Fund	Other Governmental Funds	Total
Transfers in	\$ 101,062,655	\$ 529	\$ 17,206,262	\$118,269,446
Transfers out	<u>(118,269,446)</u>	<u>-</u>	<u>-</u>	<u>(118,269,446)</u>
Totals	<u>\$ (17,206,791)</u>	<u>\$ 529</u>	<u>\$ 17,206,262</u>	<u>\$ -</u>

Note 6: Retirement Plans

Arkansas Teacher Retirement System

Plan description: The District contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees, except certain non-teachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 501-682-1517, or by visiting the ATRS website at www.artrs.gov.

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 7.00% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 15.00%.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The District made contributions to the Arkansas Teacher Retirement System of \$9,366,547, \$9,026,243, and \$8,703,716 for the years ended June 30, 2023, 2022, and 2021, respectively, equal to the required contributions of each year. The \$9,366,547 contribution in the current year is made up of \$7,877,265 for non-federally funded employees and \$1,489,282 for federally funded employees.

Net Pension Liability

The Arkansas Department of 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 of ATRS at June 30, 2022 (actuarial valuation date and measurement date) was \$95,567,737.

Arkansas Public Employees Retirement System

Plan description: The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain nonteaching Arkansas public school employees hired before July 1, 1989. APERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 W. Capitol, Little Rock, Arkansas 72201 or by calling 1-800-682-7377 or by visiting the APERS website at www.apers.org.

Funding policy: APERS has contributory and non-contributory plans. Contributory members are required by law to contribute 5.00% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current statutory employer rate is 4.00% of annual covered payroll. The District's contributions to APERS for the years ended June 30, 2023, 2022, and 2021 were \$1,858, \$1,946, and \$1,874, respectively, equal to the required contributions for each year.

Net Pension liability

The Arkansas Department of 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 of APERS at June 30, 2022 (actuarial valuation date and measurement date) was \$16,521.

Note 7: On-Behalf Payments

During the year ended June 30, 2023, health insurance premiums of \$2,753,562 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District Employees.

Note 8: Litigation and Contingencies

The District is subject to claims and lawsuits that arise primarily in the ordinary course of business. Neither the ultimate outcome nor an estimated range of potential loss can be determined. Management and legal counsel are of the opinion that the likelihood of a financially material outcome is small and, thus, no provision has been made in the financial statements for any potential liabilities.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

The District participates in federally assisted grant programs. This District is potentially liable for expenditures which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of non-compliance which would result in the disallowance of program expenditures.

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.

Note 9: Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions, and natural disasters for which the District carries commercial insurance. Settled claims have not exceeded this commercial coverage in any of the three preceding years.

The District carries commercial insurance for coverage of buildings' contents, board liability, theft, student accidents, and bus drivers and business trip accidental death and dismemberment. Settled claims did not exceed this commercial coverage in the current year. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

The District is a member of the Arkansas School Board Association Self-Insurance Program, a public-entity risk pool currently operating a common risk management and insurance program for its members. The fund was created by members to formulate, develop and administer a program of self-funding for the fund's membership, obtain lower costs for Workmen's Compensation coverage and develop a comprehensive loss control program. The District pays an annual premium to the fund for its Workmen's Compensation Coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through the member premiums and will reissue through commercial carriers for claims in excess of specified stop loss amounts.

Note 10: Subsequent Events

In July 2023, the District received partnership funding notice from the Division of Public School Academic Facilities and Transportation for the construction of a new middle school in the amount of \$20,871,050.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF CAPITAL ASSETS

YEAR ENDED JUNE 30, 2023

(UNAUDITED)

Nondepreciable Capital Assets:

Land	\$ 4,103,830
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Depreciable Capital Assets:

Buildings and Improvements	328,829,620
Improvements other than Buildings	1,007,677
Furniture, Equipment, Vehicles and Buses	33,453,407
Total Depreciable Capital Assets	<u>363,290,704</u>

Less Accumulated Depreciation for:

Buildings and Improvements	109,010,614
Improvements other than Buildings	1,007,677
Furniture, Equipment, Vehicles and Buses	27,576,581
Total Accumulated Depreciation	<u>137,594,872</u>

Total Depreciable Capital Assets, Net	<u>225,695,832</u>
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Capital Assets, Net	<u><u>\$ 229,799,662</u></u>
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the North Little Rock School District No. 1 (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 February 13, 2024.

We issued an adverse opinion because the District prepared the financial statements in conformity with accounting practices prescribed by the Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2023, and the respective changes in financial position thereof, and the budgetary results 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 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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Education
Page Two

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 have not been 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 laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

HCI CPAs & Advisors, PLLC

HCI CPAs & Advisors, PLLC
Little Rock, Arkansas
February 13, 2024

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited North Little Rock School District No. 1'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.

In our opinion, North Little Rock School District No. 1 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 major federal programs for the year ended June 30, 2023.

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; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States 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 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 generally accepted auditing standards, *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 generally accepted auditing standards, *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.

Report on Internal Control Over Compliance

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 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

To the Board of Education
Page Three

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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

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.

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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
February 13, 2024

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2023

Federal Grant/Pass-Through Grantor/Program Title	Pass Through Entity Identifying Number	Assistance Listing Number	Federal Expenditures
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	6002	10.553	1,049,022
National School Lunch Program - USDA Supply Chain Assistance 1	6002	10.555	67,391
National School Lunch Program - USDA Supply Chain Assistance 2	6002	10.555	152,212
National School Lunch Program - USDA Supply Chain Assistance 3	6002	10.555	70,822
National School Lunch Program - Cash Assistance	6002	10.555	3,618,840
National School Lunch Program - Non-Cash Assistance	6002	10.555	416,778
National School Lunch Program - TANF	6002	10.555	2,675
Fresh Fruit and Vegetable Program	6002	10.582	<u>200,497</u>
Total Child Nutrition Cluster			<u>5,578,237</u>
SPECIAL EDUCATION CLUSTER (IDEA)			
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title VI, Special Education - Grants to States (IDEA, Part B)	6002	84.027	\$ 2,227,267
COVID-19 American Rescue Plan - Special Education School Age Funding	6002	84.027X	59,388
Special Education - Preschool Grants (IDEA Preschool)	6002	84.173	112,305
COVID-19 American Rescue Plan - Special Education School Age Funding	6002	84.173X	<u>10,435</u>
Total Special Education Cluster (IDEA)			<u>2,409,395</u>
CCDF CLUSTER:			
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Human Services:			
Child Care and Development Block Grant	6002	93.575	20,463
COVID-19 Emergency Food Assistance Program CCDF	6002	93.575	108,308
COVID-19 CCDF COVID Supplemental	6002	93.575	880
COVID-19 American Rescue Plan Act - Child Care Stabilization	6002	93.575	211,429
COVID-19 American Rescue Plan Act - Child Care Supplemental	6002	93.575	<u>955</u>
Total CCDF Cluster			<u>342,035</u>
OTHER PROGRAMS:			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Human Services:			
COVID-19 Local Food for Schools Grant	6002	10.185	44,411
Child and Adult Care Food Program	6002	10.558	<u>69,688</u>
Total Passed Through Arkansas Department of Human Services			<u>114,099</u>
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title I - School Improvement Grants	6002	84.010	67,792
Title I - School Improvement Planning Grant	6002	84.010	48,643
Title I, Part A - Grants to Local Educational Agencies	6002	84.010	4,156,109
Career and Technical Education - Basic Grants to States (Perkins IV)	6002	84.048	227,744
Education for Homeless Children and Youth	6002	84.196	74,527
Title III, Part A - Recent Immigrant	6002	84.365	27,408
Title III, Part A - English Language Acquisition	6002	84.365	60,090
Title II - Part A - Improving Teacher Quality State Grants	6002	84.367	414,413
Comprehensive Literacy Development	6002	84.371	98,273
Student Support and Academic Enrichment Program	6002	84.424	290,099
COVID-19 Education Stabilization Fund - ESSER II	6002	84.425D	180,069
COVID-19 Education Stabilization Fund - ESSER III	6002	84.425U	10,253,254
COVID-19 Education Stabilization Fund - ESSER III Afterschool and Learning	6002	84.425U	52,154
COVID-19 Education Stabilization Fund - ESSER ABC Stipends and Incentives	6002	84.425D	1,823
COVID-19 American Rescue Plan Act - Homeless Children and Youth	6002	84.425W	<u>64,010</u>
Total Passed Through Arkansas Department of Education			<u>16,016,408</u>
Total Other Programs			<u>16,130,507</u>
Total Expenditures of Federal Awards			<u>\$ 24,460,174</u>

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2023

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. This schedule includes the federal awards activity of the District and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District did not elect to use the 10% de minimis indirect cost rate.
2. Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Education.
3. Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$687,459 are not covered by the reporting requirements of the Uniform Guidance.
4. Reserve Officers' Training Corps reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$86,949 are not covered by the reporting requirements of the Uniform Guidance.

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF STATE ASSISTANCE

YEAR ENDED JUNE 30, 2023

Arkansas Department of Education

State Foundation Funding	\$	35,751,999
Teacher Salary Equality Program		1,413,459
Teacher of the Year Program		14,700
Student Growth Funding		72,777
98% Uniform Rate of Tax Actual Collection Adjustment		247,099
Computer Science Initiative Student Support		600
GT Advanced Placement		10,652
Professional Development Funding		286,512
Limited English Proficiency Allocation		215,208
Food Service State Matching		26,613
Alternative Learning		613,455
National School Lunch Student Funding		6,109,528
Arkansas Better Chance Program		3,112,980
Arkansas School Recognition Program		56,900
Early Childhood Special Education		166,632
State School Safety Grant		137,118
Enhanced Transportation Aid		11,041
Special Education Catastrophic Loss Funding		294,201
NSL Match Grant		3,819
NBCT Teacher Bonus		312,758
Early Intervention Day Treatment Centers		59,167
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Total Arkansas Department of Education		48,917,218

Arkansas Department of Career Education

Career New Program Start-up		16,136
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Arkansas Department of Human Services

Tobacco Prevention Youth		8,000
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Arkansas Securities Department

Pathwise Mentor Training		8,189
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Total State Assistance	\$	<hr/> <hr/> 48,949,543
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NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. Our report expressed an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on regulatory basis of accounting on the basic financial statements of North Little Rock District No. 1.

2. The independent auditor's report on internal control over financial reporting described:

Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Material weakness(es) identified? ☐ Yes ☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit?

☐ Yes ☒ No

4. The independent auditor's report on internal control over compliance with requirements applicable to major federal awards programs described:

Significant deficiency(ies) identified? ☐ Yes ☒ None Reported

Material weakness(es) identified? ☐ Yes ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements applicable to major federal awards was:

☒ Unmodified

☐ Modified

☐ Adverse

☐ Disclaimed

6. The audit disclosed findings required to be reported by the Uniform Guidance?

☐ Yes ☒ No

7. The Auditee's major programs were:

Cluster/Program	Assistance Listing Number(s)
• Education Stabilization Fund	84.425D, 84.425U, 84.425W
• Title I Grants to Local Educational Agencies	84.010

8. The threshold used to distinguish between Type A & Type B programs as those terms are defined in the Uniform Guidance was \$750,000.

9. The Auditee qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

☐ Yes ☒ No

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2023

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE NOTED

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARDS PROGRAM AUDIT

NONE NOTED

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

NONE NOTED

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

To the Board of Education
North Little Rock School District No. 1
North Little Rock, Arkansas

We have examined management's assertions that North Little Rock School District No. 1 (the "District") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2023. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether management's assertion is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about management's assertions. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent of the District and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

In our opinion, North Little Rock School District No. 1 complied with the aforementioned requirements for the year ended June 30, 2023.

This report is intended solely for the information and use of the Board of Education, management, and the Arkansas Department of Education and is not intended to be and should not be used by anyone other than these specified parties.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
February 13, 2024

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1

SCHEDULE OF STATUTES REQUIRED BY ARKANSAS DEPARTMENT OF EDUCATION TO BE ADDRESSED IN INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE

YEAR ENDED JUNE 30, 2023

DESCRIPTION

Bidding & Purchasing Commodities

Ethical Guidelines and Prohibitions

Collateralization & Investment of Funds

Deposit of Funds

District Finances

- Bonded & Non-bonded Debt, District School Bonds
- Petty Cash
- Changes in Pullback (no deferrals – declining accrual percentages)
- Investment of Fund

Management of Schools

- Board of Directors
- District Treasurer
 - Warrants/checks

Management Letter for Audit

Nonrecurring Salary Payments

Revolving Loan Fund

Salary Laws - Classified

School Elections

Teachers and Employees

- Personnel Policies
- Employment and Assignment
- Teacher's License Requirement
- Contracts
- Certification Requirements
- Fair Dismissal Act
- Sick Leave Policies
- Minimum Wage Act

Teacher Salaries and Foundation Funding Aid

Trust Funds (Education Excellence)

Use of Contractors, Improvement Contracts

Use of DM&O Millage

On Behalf Payments

Regulatory Basis of Accounting

Real Estate and Personal Property Tax Appeals

Arkansas Procurement Law

Fiscal Accountability

Enhanced Student Achievement Funding ESA

Limitation on Fund Balances

CARES Act (COVID-19) Education Funding

Charter Facilities Funding

STATUTES

6-21-301 – 6-21-305

6-13-628; 6-24-101 et seq.

6-20-222; 19-1-504

19-8-104; 19-8-106

6-20-402

6-20-1201 – 6-20-1208; 6-20-1210

6-20-409

6-20-401

19-1-504

6-13-604; 6-13-606; 6-13-608; 6-13-611 – 6-13-613; 6-13-617

6-13-620; 6-24-101 et seq.

6-13-701

6-17-918; 6-17-919; 6-20-403

14-75-101 – 14-75-104

6-20-412

6-19-114; 6-20-801 et seq.

6-17-2201 et seq.; 6-17-2301 et seq.

6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118

6-17-201 et seq., 6-17-2301

6-17-301 et seq.

6-17-401 et seq.

6-17-801 et seq.

6-17-309; 6-17-401

6-17-1501 et seq.; 6-17-1701 et seq.

6-17-1201 et seq.; 6-17-1301 et seq.

11-4-213, 11-4-218; 11-4-403; 11-4-405

6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918;

6-17-919

6-5-307

22-9-201 – 22-9-205

26-80-110

The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees

10-4-413(c)

26-35-802

19-11-201 et. Seq.

6-20-1901 et. seq

6-20-2305(B)(4)(F)(I)

6-20-2210

Commissioner's Memo LS-20-089

6-23-908

NORTH LITTLE ROCK SCHOOL DISTRICT NO. 1
SUPPLEMENTAL DATA SHEET AS REQUIRED BY ARKANSAS DEPARTMENT OF HUMAN SERVICES
AUDIT GUIDELINES (UNAUDITED)
YEAR ENDED JUNE 30, 2023

The following information is being provided to satisfy the requirements of Arkansas Department of Health and Human Services Audit Guidelines:

- | | |
|--------------------------------------|---|
| 1. <u>Entity's Full Name:</u> | North Little Rock School District No. 1 |
| 2. <u>Entity's Address:</u> | 2400 Willow Street
North Little Rock, AR 72114 |
| 3. <u>Entity's FEIN:</u> | 71-6014124 |
| 4. <u>Entity's Telephone Number:</u> | (501) 771-8000 |
| 5. <u>Name of Director:</u> | Mr. Gregory J. Pilewski, Superintendent |
| 6. <u>Name of Contact Person:</u> | Mr. Brian Brown, Chief Financial Officer |