

Pulaski County Special School District

Pulaski County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2023



PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
TABLE OF CONTENTS
JUNE 30, 2023

Independent Auditor's Report
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance
Management Letter

REGULATORY BASIS FINANCIAL STATEMENTS

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

SCHEDULES

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

Arkansas

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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

Pulaski County Special School District 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 Pulaski County Special School District (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 March 13, 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
March 13, 2024
EDSD32323

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

Pulaski County Special School District 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 Pulaski County Special School District (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 March 13, 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 financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted a certain matter that we reported to management of the District in a separate letter dated March 13, 2024.

District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit, excluding the management letter finding, and 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 the regulatory basis financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
March 13, 2024

Arkansas

Sen. David Wallace
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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

Pulaski County Special School District and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Pulaski County Special School District'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, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 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 (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

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

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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 or significant deficiencies in internal control over compliance may exist that were not 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 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
March 13, 2024

Arkansas

Sen. David Wallace
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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Pulaski County Special School District and School Board Members
Legislative Joint Auditing Committee

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

We noted, at multiple campuses, the following areas of noncompliance in the District's business procedures governing activity funds:

- Receipts were not submitted to the Bookkeeper daily.
- Receipts did not always include the date funds were received, payment method, and amount paid.
- Daily cash count sheets did not include the range of receipt numbers used by teachers/sponsors.
- Sponsors did not issue receipts for all funds collected.
- Deposit slips did not include the range of receipt numbers issued for the funds being deposited.
- In at least one instance, a sponsor utilized a payment app to collect funds, in violation of District policy.

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
March 13, 2024

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2023

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 18,036,270	\$ 411,538	\$ 31,764,106	\$ 26,709
Investments			45,787,129	
Accounts receivable	104,939	2,490,876	37,070	
	<u>18,141,209</u>	<u>2,902,414</u>	<u>77,588,305</u>	<u>26,709</u>
TOTAL ASSETS	\$ 18,141,209	\$ 2,902,414	\$ 77,588,305	\$ 26,709
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,185,332	\$ 376,586	\$ 2,204,549	
Due student groups				\$ 11,546
Deferred revenues		38,825		
Total Liabilities	2,185,332	415,411	2,204,549	11,546
Fund Balances:				
Restricted	2,592,206	2,487,003	72,883,756	15,163
Assigned	3,595,896		2,500,000	
Unassigned	9,767,775			
Total Fund Balances	15,955,877	2,487,003	75,383,756	15,163
TOTAL LIABILITIES AND FUND BALANCES	\$ 18,141,209	\$ 2,902,414	\$ 77,588,305	\$ 26,709

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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)	\$ 106,760,207		\$ 19,753,032
State assistance	22,884,213	\$ 37,440	
Federal assistance	653,498	26,902,398	
Activity revenues	1,182,774		
Meal sales		1,439,339	
Investment income	651,287	52	785,011
Net Increase (decrease) in fair value of investments			1,223,274
Other revenues	1,236,456	64	392,899
TOTAL REVENUES	133,368,435	28,379,293	22,154,216
EXPENDITURES			
Regular programs	49,279,821	6,065,314	
Special education	11,496,505	3,282,099	
Career education programs	3,574,276	148,631	
Adult/continuing education program	934,671	259,543	
Compensatory education programs	4,070,101	1,133,843	
Other instructional programs	4,022,422	112,016	
Student support services	6,169,793	3,199,578	
Instructional staff support services	8,005,665	5,026,873	388,322
General administration support services	1,779,289	205,041	
School administration support services	10,991,091	254,733	
Central services support services	6,036,606	141,698	983,829
Operation and maintenance of plant services	17,550,773	1,300,236	89,771
Student transportation services	9,631,509	1,195,358	
Other support services	61,101		
Food services operations	26,103	7,358,064	
Community services operations	26,669	69,576	
Facilities acquisition and construction services	303,485		13,472,704
Non-programmed costs		123,255	
Activity expenditures	1,207,386		
Debt Service:			
Principal retirement			8,200,000
Interest and fiscal charges			8,260,198
TOTAL EXPENDITURES	135,167,266	29,875,858	31,394,824
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,798,831)	(1,496,565)	(9,240,608)
OTHER FINANCING SOURCES (USES)			
Transfers in	7,542,742		
Transfers out			(7,542,742)
Bad debt meals reimbursed/paid by the District	(453,244)		
Program funding return	(8,199)		
TOTAL OTHER FINANCING SOURCES (USES)	7,081,299		(7,542,742)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,282,468	(1,496,565)	(16,783,350)
FUND BALANCES - JULY 1	10,673,409	3,983,568	92,167,106
FUND BALANCES - JUNE 30	\$ 15,955,877	\$ 2,487,003	\$ 75,383,756

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2023

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 103,115,601	\$ 106,760,207	\$ 3,644,606			
State assistance	21,901,979	22,884,213	982,234	\$ 25,000	\$ 37,440	\$ 12,440
Federal assistance		653,498	653,498	29,031,200	26,902,398	(2,128,802)
Activity revenues		1,182,774	1,182,774			
Meal sales				235,800	1,439,339	1,203,539
Investment income	50,000	651,287	601,287		52	52
Other revenues	573,200	1,236,456	663,256	5,000	64	(4,936)
TOTAL REVENUES	125,640,780	133,368,435	7,727,655	29,297,000	28,379,293	(917,707)
EXPENDITURES						
Regular programs	48,290,648	49,279,821	(989,173)	2,242,581	6,065,314	(3,822,733)
Special education	11,584,367	11,496,505	87,862	2,295,498	3,282,099	(986,601)
Career education programs	3,595,292	3,574,276	21,016		148,631	(148,631)
Adult/continuing education program	739,762	934,671	(194,909)	187,381	259,543	(72,162)
Compensatory education programs	3,339,423	4,070,101	(730,678)	1,456,218	1,133,843	322,375
Other instructional programs	3,663,980	4,022,422	(358,442)	125,670	112,016	13,654
Student support services	6,009,702	6,169,793	(160,091)	1,231,518	3,199,578	(1,968,060)
Instructional staff support services	7,696,635	8,005,665	(309,030)	5,291,946	5,026,873	265,073
General administration support services	2,194,374	1,779,289	415,085	58,429	205,041	(146,612)
School administration support services	10,469,291	10,991,091	(521,800)	248,293	254,733	(6,440)
Central services support services	6,411,883	6,036,606	375,277	7,000	141,698	(134,698)
Operation and maintenance of plant services	15,957,803	17,550,773	(1,592,970)	4,030,000	1,300,236	2,729,764
Student transportation services	8,795,382	9,631,509	(836,127)	70,465	1,195,358	(1,124,893)
Other support services		61,101	(61,101)			
Food services operations		26,103	(26,103)	6,657,615	7,358,064	(700,449)
Community services operations	13,230	26,669	(13,439)	379,712	69,576	310,136
Facilities acquisition and construction services	270	303,485	(303,215)			
Non-programmed costs				800,000	123,255	676,745
Activity expenditures		1,207,386	(1,207,386)			
TOTAL EXPENDITURES	128,762,042	135,167,266	(6,405,224)	25,082,326	29,875,858	(4,793,532)

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (3,121,262)	\$ (1,798,831)	\$ 1,322,431	\$ 4,214,674	\$ (1,496,565)	\$ (5,711,239)
OTHER FINANCING SOURCES (USES)						
Transfers in	192,444,721	7,542,742	(184,901,979)			
Transfers out	(184,097,323)		184,097,323			
Bad debt meals reimbursed/paid by the District		(453,244)	(453,244)			
Program funding return		(8,199)	(8,199)			
TOTAL OTHER FINANCING SOURCES (USES)	8,347,398	7,081,299	(1,266,099)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	5,226,136	5,282,468	56,332	4,214,674	(1,496,565)	(5,711,239)
FUND BALANCES - JULY 1	11,947,163	10,673,409	(1,273,754)	4,181,460	3,983,568	(197,892)
FUND BALANCES - JUNE 30	<u>\$ 17,173,299</u>	<u>\$ 15,955,877</u>	<u>\$ (1,217,422)</u>	<u>\$ 8,396,134</u>	<u>\$ 2,487,003</u>	<u>\$ (5,909,131)</u>

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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 Pulaski County Special 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.

Fiduciary Fund types include the following:

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

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.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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 \$5,000 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.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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. Fund Balance Classifications

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

H. Budget and Budgetary Accounting

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

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

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

I. Stabilization Arrangements

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

J. Minimum Fund Balance Policies

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

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Fund Balance Classification Policies and Procedures

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

The District's revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the District's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (committed, assigned, or unassigned) funds. The District does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. District personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The District does not have a policy addressing which resources to use within the unrestricted fund balances when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts

L. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 3,749,059	\$ 3,760,327
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	23,878,974	30,048,890
Uninsured and uncollateralized	22,610,590	22,610,590
Total Deposits	\$ 50,238,623	\$ 56,419,807

At June 30, 2023, the District's uninsured and uncollateralized amount listed in the table above is made up of \$16,155,476 invested in a government money market fund and \$6,455,114 was uncollateralized.

Custodial risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a formal policy for custodial credit risk. As of June 30, 2023, \$22,610,590 of the District's bank balances of \$56,419,807 were exposed to custodial risk.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

3: INVESTMENTS

At June 30, 2023, the District's investments consisted of \$45,787,129 invested in US Treasury securities measured at fair value reported in the Other Aggregate Funds.

Interest rate risk - The District does not have a formal policy limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Fair value of investments - Fair value measurements are based on the fair value hierarchy as follows:

Level 1 - Quoted prices in active markets for identical assets

Level 2 - Significant other observable inputs

Level 3 - Significant unobservable inputs

The \$45,787,129 of US Treasury securities are classified as Level 1. There are no investments classified as Level 2 or 3.

4: ACCOUNTS RECEIVABLE

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
State assistance	\$ 1,576		
Federal assistance		\$ 2,459,650	
Meal sales		31,226	
Investment income	132		\$ 3
Other	103,231		37,067
Totals	\$ 104,939	\$ 2,490,876	\$ 37,070

5: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Vendor payables	\$ 2,085,036	\$ 376,586	\$ 2,204,549
Payroll withholdings and matching	82,079		
Due to grantor	18,217		
Totals	\$ 2,185,332	\$ 376,586	\$ 2,204,549

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

6: COMMITMENTS

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

A. Construction Contracts

<u>Project Name</u>	<u>Estimated Completion Date</u>	<u>Contract Balance</u>
Maumelle High School Indoor Field	March 2024	\$ 7,334,935
Sylvan Hills Academy	March 2024	79,531
Mills Middle School HVAC	March 2024	613,097
Mills High School buildings	January 2026	304,875

B. Lease (lease of nonfinancial assets with initial noncancelable lease term in excess of one year)

General description of leases and leasing arrangements: On December 15, 2022, the District entered into a 60 month lease agreement for copiers, commencing on January 1, 2023.

1. Future minimum lease payments (aggregate) at June 30, 2023: \$2,869,537

2. Future minimum lease payments for the succeeding years:

<u>Year Ended June 30,</u>	<u>Amount</u>
2024	\$ 624,211
2025	641,522
2026	641,522
2027	641,522
2028	<u>320,760</u>
Total	<u>\$ 2,869,537</u>

Lease payments for the lease described above were approximately \$198,315 for the year ended June 30, 2023.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

6: COMMITMENTS (Continued)

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
<u>Bonds</u>					
1/30/19	2/1/48	3.5 - 3.75%	\$ 20,475,000	\$ 19,840,000	\$ 635,000
10/24/19	2/1/35	2.05 - 2.85%	61,540,000	54,120,000	7,420,000
11/5/20	2/1/35	2%	46,205,000	42,085,000	4,120,000
8/24/21	2/1/48	1.45 - 3%	69,120,000	69,120,000	
12/30/21	2/1/48	1.6 - 2.8%	21,675,000	21,085,000	590,000
12/30/21	2/1/48	2 - 5%	<u>108,750,000</u>	<u>108,185,000</u>	<u>565,000</u>
Total Long-Term Debt			<u>\$ 327,765,000</u>	<u>\$ 314,435,000</u>	<u>\$ 13,330,000</u>

Changes in Long-term Debt

	Balance July 1, 2022	Issued	Retired	Balance June 30, 2023
Bonds payable	<u>\$ 322,635,000</u>	<u>\$ 0</u>	<u>\$ 8,200,000</u>	<u>\$ 314,435,000</u>

Future Principal and Interest Payments

Year Ended June 30,	Bonds		
	Principal	Interest	Total
2024	\$ 8,650,000	\$ 7,795,940	\$ 16,445,940
2025	8,860,000	7,590,052	16,450,052
2026	9,075,000	7,372,487	16,447,487
2027	9,300,000	7,147,127	16,447,127
2028	9,535,000	6,913,463	16,448,463
2029-2033	55,195,000	31,153,638	86,348,638
2034-2038	62,840,000	24,334,153	87,174,153
2039-2043	70,630,000	16,551,444	87,181,444
2044-2048	<u>80,350,000</u>	<u>6,833,216</u>	<u>87,183,216</u>
Totals	<u>\$ 314,435,000</u>	<u>\$ 115,691,520</u>	<u>\$ 430,126,520</u>

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

6: COMMITMENTS (Continued)

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.

7: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$327,765,000 issued from January 30, 2019 to December 30, 2021. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$430,126,520, payable through February 1, 2048. Principal and interest paid for the current year and total property taxes pledged for debt service were \$16,448,732 and \$46,004,814, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 35.75 percent.

8: INTERFUND TRANSFERS

The District transferred \$7,542,742 from the other aggregate funds to the general fund for operating purposes.

9: RETIREMENT PLANS

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 15% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2023, were \$15,180,144, 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 \$154,977,316.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

9: RETIREMENT PLANS (Continued)

Arkansas Public Employees Retirement System

Plan Description

The District contributes to the Arkansas Public Employees Retirement System (APERS), a cost-sharing multiple-employer defined benefit pension plan that covers certain non-teaching school employees. APERS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Public Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for APERS. That report may be obtained by writing to Arkansas Public Employees Retirement System, 124 West Capitol Avenue, Suite 400, Little Rock, Arkansas 72201, by calling 1-800-682-7377, or by visiting the APERS website at www.apers.org.

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2023, were \$1,394, 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 \$12,683.

10: CHANGES IN PRIVATE-PURPOSE FUNDS

FUND BALANCE - JULY 1	\$	15,163
FUND BALANCE - JUNE 30	\$	15,163

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 student athletics, legal liability, and general liability.

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.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2023

11: RISK MANAGEMENT (Continued)

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

The District participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

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 \$3,940,186 for the year ended June 30, 2023.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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:			
Restricted for:			
Enhanced student achievement funding	\$ 256,176		
Enhanced student achievement match	52,794		
English-language learners	318,260		
Professional development	113,567		
Capital projects			\$ 72,883,756
Child nutrition programs		\$ 1,228,395	
Arkansas school recognition program	104,408		
Center for strategic leadership grants	101,439		
Medical services		494,078	
Special education programs	1,426,184	1,646	
Child care programs		747,636	
Education stabilization fund (COVID-19)		1,222	
Other purposes	219,378	14,026	
Total Restricted	2,592,206	2,487,003	72,883,756
Assigned to:			
Capital projects			2,500,000
Federal indirect costs	2,672,248		
Student activities	912,663		
Other purposes	10,985		
Total Assigned	3,595,896		2,500,000
Unassigned	9,767,775		
Totals	\$ 15,955,877	\$ 2,487,003	\$ 75,383,756

14: SUBSEQUENT EVENT

The District approved a construction contract dated February 14, 2024, with Kinco Constructors, LLC, for Mills High School additions in the amount of \$34,485,887.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2023
(Unaudited)

Schedule 1

	Balance June 30, 2023
Nondepreciable capital assets:	
Land	\$ 8,554,644
Construction in progress	128,695,487
Total nondepreciable capital assets	137,250,131
Depreciable capital assets:	
Buildings	207,448,374
Improvements/infrastructure	59,866,350
Equipment	30,803,744
Total depreciable capital assets	298,118,468
Less accumulated depreciation for:	
Buildings	60,552,383
Improvements/infrastructure	26,209,156
Equipment	24,298,591
Total accumulated depreciation	111,060,130
Total depreciable capital assets, net	187,058,338
Capital assets, net	\$ 324,308,469

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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	6003		\$ 1,090,662
National School Lunch Program (Note 5)	10.555			149,987
Arkansas Department of Education - National School Lunch Program	10.555	6003		5,119,424
Arkansas Department of Human Services - National School Lunch Program (Note 6)	10.555	6003000		413,315
Total for National School Lunch Program				<u>5,682,726</u>
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	6003		3,578
Total U. S. Department of Agriculture				<u>6,776,966</u>
TOTAL CHILD NUTRITION CLUSTER				<u>6,776,966</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	6003		2,228,101
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education Grants to States	84.027X	6003		364,795
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	6003		135,599
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education - Preschool Grants	84.173X	6003		45,322
Total U. S. Department of Education				<u>2,773,817</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>2,773,817</u>
OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
ROTC (Note 7)	12.AR060081			61,697
Total U. S. Department of Defense				<u>61,697</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	6003		5,595
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	6003		11,388,097
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief - Homeless Children and Youth	84.425W	6003		120,223
Total Education Stabilization Fund				<u>11,513,915</u>
Arkansas Division of Workforce Services - Adult Education - Basic Grants to States	84.002A	6003		178,212
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	6003		4,191,827
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048A	6003		74,378
Arkansas Department of Education - Education for Homeless Children and Youth	84.196A	6003		28,454
Arkansas Department of Education - English Language Acquisition State Grants	84.365A	6003		77,862
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	6003		303,835
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	6003		106,874
Total U. S. Department of Education				<u>16,475,357</u>

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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 - Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	6003		\$ 399
Arkansas Division of Workforce Services - Temporary Assistance for Needy Families	93.558	6003		113,073
Total U. S. Department of Health and Human Services				<u>113,472</u>
TOTAL OTHER PROGRAMS				<u>16,650,526</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 26,201,309</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 Pulaski County Special School District (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 \$363,859 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.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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:

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

FEDERAL AWARDS

Internal control over major federal programs:

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

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

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

AL Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.027A, 84.027X, 84.173A, and 84.173X	Special Education Cluster (IDEA)
84.425D, 84.425U, and 84.425W	COVID-19 - Education Stabilization Fund
84.367A	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between type A and type B programs:	\$	<u>786,039</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="checkbox"/>	yes	<input type="checkbox"/>	no
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PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 3

SECTION II - FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2023-001. Internal Control

Criteria: An effective internal control system is the responsibility of management and requires sound accounting policies and proper oversight that will, among other things, help to ensure the proper initiating, authorization, recording, processing, and reporting of transactions consistent with management's assertions embodied in the financial statements.

Condition: Financial accounting duties pertaining to activity funds were not adequately segregated among employees at the individual campuses located throughout the District to properly receipt, record, and safeguard assets of the District. Specifically, one employee at each campus is responsible for maintaining the accounting records, without adequate compensating controls.

Cause: District management, due to cost/benefit implications, which hindered the District's ability to adequately segregate financial accounting duties among employees at the multiple campuses did not effectively address the deficiency in internal control.

Effect or potential effect: The District's ability to initiate, authorize, record, process, and report activity fund transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard District assets, was affected by the identified weakness in the above internal control component.

Recommendation: District management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report activity fund transactions consistent with management's assertions embodied in the financial statements and that will safeguard District assets at the individual campuses throughout the District.

Views of responsible officials: We concur with the recommendation and will implement corrective procedures to the extent possible.

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No matters were reported.



PULASKI COUNTY SPECIAL SCHOOL DISTRICT

925 East Dixon Road, Little Rock, AR 72206 • 501.234.2000 • Website: pcssd.org

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

FOR THE YEAR ENDED JUNE 30, 2023

FINANCIAL STATEMENT FINDINGS

2022 – Finding 2022-001: Internal Control

2021 – Finding 2021-001: Internal Control

Condition: Financial accounting duties pertaining to activity funds were not adequately segregated among employees at the offices at the individual campuses located throughout the District to properly receipt, record, and safeguard assets of the District. Specifically, the key weakness at the level of the individual campuses is that one employee is responsible for maintaining the accounting records, without adequate compensating controls.

Current Status: Lack of segregation of financial accounting duties pertaining to the activity funds continued during the audit period. See finding 2023-001 at Schedule 3.

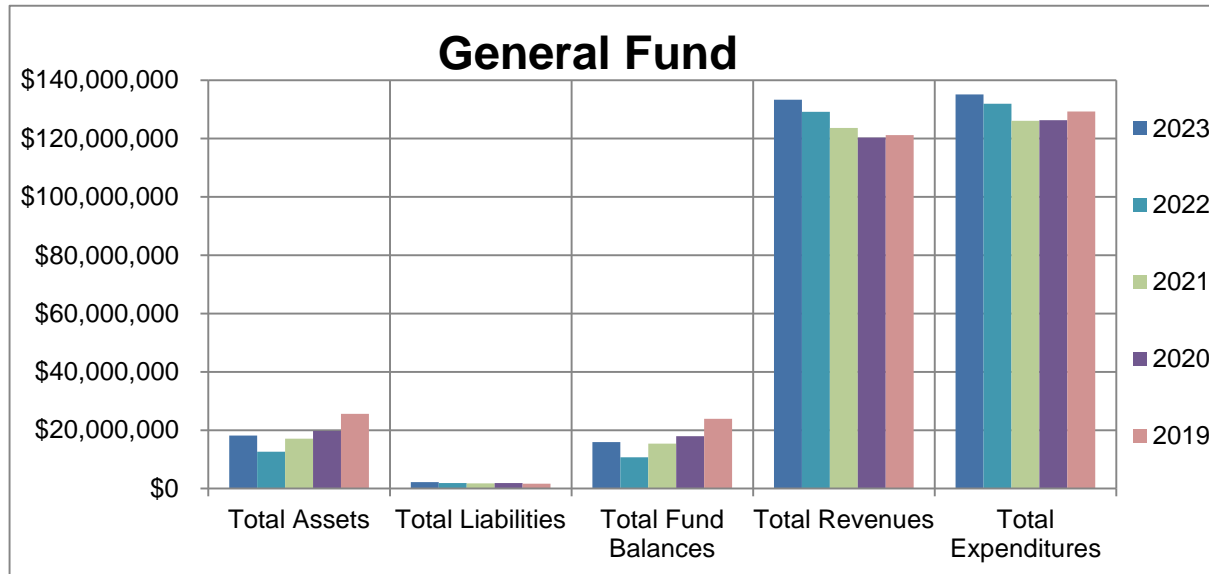
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no findings in the prior audit.

PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2023
(Unaudited)

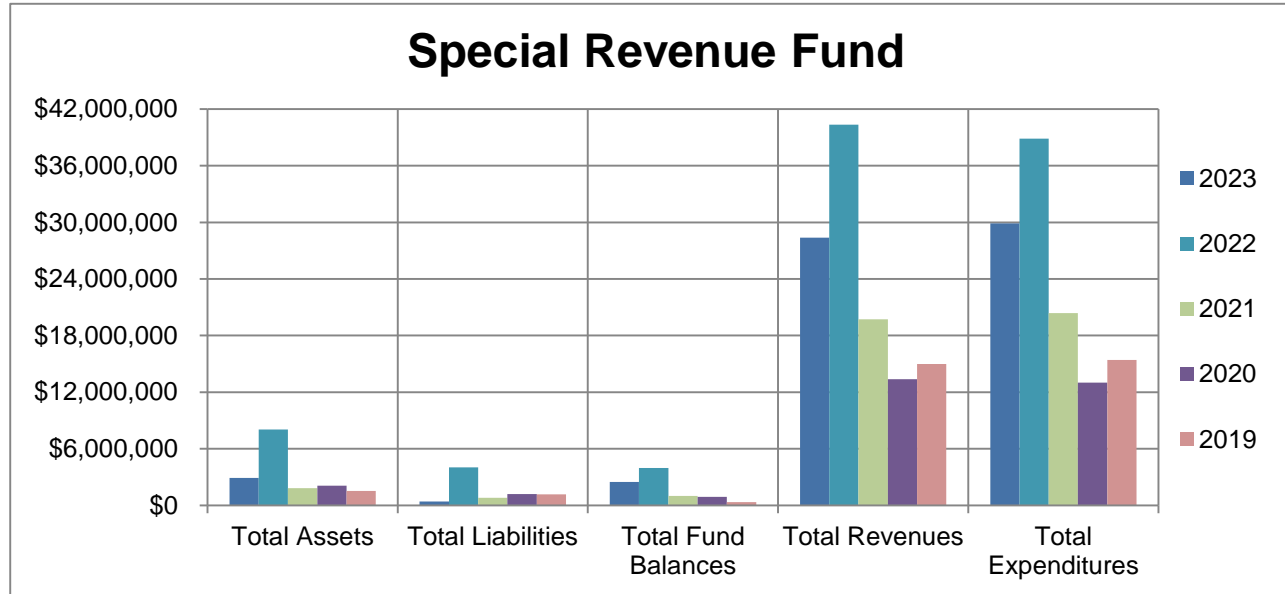
General Fund	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 18,141,209	\$ 12,580,937	\$ 17,094,473	\$ 19,759,416	\$ 25,574,737
Total Liabilities	2,185,332	1,907,528	1,751,967	1,841,527	1,691,619
Total Fund Balances	15,955,877	10,673,409	15,342,506	17,917,889	23,883,118
Total Revenues	133,368,435	129,182,865	123,627,364	120,337,962	121,171,139
Total Expenditures	135,167,266	131,887,723	126,050,620	126,291,817	129,264,609
Total Other Financing Sources (Uses)	7,081,299	(1,971,918)	(374,890)	(11,374)	11,212,872



PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI 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	\$ 2,902,414	\$ 8,029,628	\$ 1,825,335	\$ 2,085,011	\$ 1,530,278
Total Liabilities	415,411	4,046,060	803,788	1,192,514	1,182,310
Total Fund Balances	2,487,003	3,983,568	1,021,547	892,497	347,968
Total Revenues	28,379,293	40,346,911	19,739,061	13,358,678	14,992,962
Total Expenditures	29,875,858	38,861,708	20,394,430	13,014,939	15,410,004
Total Other Financing Sources (Uses)		1,476,818	784,419	200,790	(129,927)



PULASKI COUNTY SPECIAL SCHOOL DISTRICT
PULASKI COUNTY, ARKANSAS

SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2023
(Unaudited)

Other Aggregate Funds	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 77,588,305	\$ 92,995,720	\$ 9,541,760	\$ 25,866,164	\$ 48,326,646
Total Liabilities	2,204,549	828,614	513,916	4,192,543	3,989,091
Total Fund Balances	75,383,756	92,167,106	9,027,844	21,673,621	44,337,555
Total Revenues	22,154,216	16,092,020	19,644,873	20,624,083	18,811,862
Total Expenditures	31,394,824	19,735,453	31,117,429	44,243,550	55,389,352
Total Other Financing Sources (Uses)	(7,542,742)	86,782,695	(1,173,221)	955,533	14,265,250

