



FAYETTEVILLE PUBLIC SCHOOLS

Since 1871

**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
Fayetteville School District No. 1
Fayetteville, Arkansas

Opinions

We have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of the Fayetteville 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 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 changes in financial position 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 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 paragraph, the financial statements referred to in the first paragraph 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. 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 Fayetteville 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 to the financial statements, 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. 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 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, 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 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.

To the Board of Education
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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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion 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 were derived from and relate directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. Such 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 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

The schedule of capital assets has not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 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.

HCT CPAs & Advisors, PLLC

Little Rock, Arkansas
March 22, 2024

FINANCIAL STATEMENTS

FAYETTEVILLE SCHOOL DISTRICT NO. 1

BALANCE SHEET - REGULATORY BASIS

JUNE 30, 2023

	Governmental Funds			
	Major			
	General Fund	Special Revenue Fund	Other Governmental Funds	Fiduciary Fund Types
ASSETS				
Cash and Cash Equivalents	\$ 27,137,851	\$ 2,696,708	\$ 38,963,079	\$ 1,254,130
Accounts Receivable	194,017	1,285,340	1,629,603	-
Due from Other Funds	2,340,320	-	-	-
Inventories	-	210,552	-	-
Restricted Assets:				
Assets Held in Trust	-	-	61,922,498	-
	<u>\$ 29,672,188</u>	<u>\$ 4,192,600</u>	<u>\$ 102,515,180</u>	<u>\$ 1,254,130</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 474,838	\$ 187,445	\$ 4,136,303	\$ 3,823
Accrued Expenses	754,173	-	-	-
Due to Other Funds	-	710,717	1,629,603	-
Due to Student/Other Groups	-	-	-	1,250,307
Total Liabilities	<u>1,229,011</u>	<u>898,162</u>	<u>5,765,906</u>	<u>1,254,130</u>
Fund Balances:				
Nonspendable	-	210,552	-	-
Restricted:				
Federal Programs	-	3,083,886	-	-
State Programs	1,423,589	-	-	-
Debt Service	-	-	61,922,498	-
Assigned:				
Capital Projects	-	-	34,826,776	-
Unassigned	27,019,588	-	-	-
Total Fund Balances	<u>28,443,177</u>	<u>3,294,438</u>	<u>96,749,274</u>	<u>-</u>
	<u>\$ 29,672,188</u>	<u>\$ 4,192,600</u>	<u>\$ 102,515,180</u>	<u>\$ 1,254,130</u>

See accompanying notes.

FAYETTEVILLE 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	\$ 96,037,529	\$ -	\$ -
Food Services	-	1,443,158	-
Investment Income	1,888,580	-	2,561,037
Other Local Revenues	232,157	-	80,522
State Revenues	32,453,026	26,921	-
Federal Revenues	-	14,003,813	-
	<u>130,611,292</u>	<u>15,473,892</u>	<u>2,641,559</u>
EXPENDITURES			
Current:			
Instruction	72,092,228	6,677,921	183,724
Support Services	43,089,271	3,525,763	235,160
Non-Instructional Services	1,020	5,175,444	24,899
Capital Outlay	541,773	70,327	37,732,586
Debt Service:			
Principal	-	-	2,230,000
Interest	-	-	6,135,758
Paying Agent Fees	-	-	6,424
	<u>115,724,292</u>	<u>15,449,455</u>	<u>46,548,551</u>
Excess of Revenues Over (Under)			
Expenditures	14,887,000	24,437	(43,906,992)
OTHER FINANCING (USES) SOURCES			
Proceeds from Sale of Assets	22,615	-	1,745,128
Indirect Costs	52,760	(52,760)	-
Operating Transfers, Net	(16,451,107)	109,452	16,341,655
Total Other Financing (Uses) Sources	<u>(16,375,732)</u>	<u>56,692</u>	<u>18,086,783</u>
Net Change in Fund Balances	(1,488,732)	81,129	(25,820,209)
Fund Balances - Beginning of Year	<u>29,931,909</u>	<u>3,213,309</u>	<u>122,569,483</u>
Fund Balances - End of Year	<u>\$ 28,443,177</u>	<u>\$ 3,294,438</u>	<u>\$ 96,749,274</u>

See accompanying notes.

FAYETTEVILLE 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	\$ 93,452,046	\$ 96,037,529	\$ 2,585,483
Food Services	-	-	-
Investment Income	-	1,888,580	1,888,580
Other Local Revenues	172,500	232,157	59,657
State Revenues	31,899,629	32,453,026	553,397
Federal Revenues	-	-	-
	<u>125,524,175</u>	<u>130,611,292</u>	<u>5,087,117</u>
EXPENDITURES			
Current:			
Instruction	74,041,819	72,092,228	1,949,591
Support Services	41,443,470	43,089,271	(1,645,801)
Non-Instructional Services	-	1,020	(1,020)
Capital Outlay	<u>520,000</u>	<u>541,773</u>	<u>(21,773)</u>
	<u>116,005,289</u>	<u>115,724,292</u>	<u>280,997</u>
Excess of Revenues Over (Under)			
Expenditures	9,518,886	14,887,000	5,368,114
OTHER FINANCING (USES) SOURCES			
Proceeds from Sale of Assets	-	22,615	22,615
Indirect Costs	115,150	52,760	(62,390)
Operating Transfers, Net	(15,077,984)	(16,451,107)	(1,373,123)
Total Other Financing (Uses) Sources	<u>(14,962,834)</u>	<u>(16,375,732)</u>	<u>(1,412,898)</u>
Net Change in Fund Balances	<u>\$ (5,443,948)</u>	<u>\$ (1,488,732)</u>	<u>\$ 3,955,216</u>

See accompanying notes.

Special Revenue Fund

Budget	Actual	Variance
\$ -	\$ -	\$ -
1,525,000	1,443,158	(81,842)
-	-	-
-	-	-
20,000	26,921	6,921
<u>16,040,141</u>	<u>14,003,813</u>	<u>(2,036,328)</u>
17,585,141	15,473,892	(2,111,249)
7,746,586	6,677,921	1,068,665
5,228,257	3,525,763	1,702,494
4,843,921	5,175,444	(331,523)
5,500	70,327	(64,827)
<u>17,824,264</u>	<u>15,449,455</u>	<u>2,374,809</u>
(239,123)	24,437	263,560
-	-	-
(52,760)	(52,760)	-
-	109,452	109,452
<u>(52,760)</u>	<u>56,692</u>	<u>109,452</u>
<u>\$ (291,883)</u>	<u>\$ 81,129</u>	<u>\$ 373,012</u>

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Fayetteville School District No. 1 (the "District") operates schools for students in grades Pre-Kindergarten through twelfth in Fayetteville, 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 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:

Private Purpose Trust Fund - Private Purpose Trust Fund accounts for activities that are not District programs, but are programs sponsored by private districts or other governments. Although the District serves as fiscal agent, the funds received and held under these programs are not available to support the District's activities and programs but are received and held for the benefit of individuals, private districts or other governments participating in the sponsored programs. The programs accounted for within this are expendable trust funds. The District does not have any private purpose accounts at year end.

Agency Funds - Account for assets held by the District in a trustee capacity or as an agent on behalf of others and are held in a purely custodial capacity (assets equal liabilities).

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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) and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP 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. 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 finance leases are reported as other financing sources. Changes in private-purpose trust funds, if any, will be reflected in the notes to the financial statements.

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.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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	20-50
Furniture, Equipment, Vehicles and Buses	5-20

Property Taxes

Property taxes are levied in November based on property assessments 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.

Fund Balance Classifications

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's nonspendable fund balance at year end consisted of consumable inventory.
- 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. The Restricted for State Programs and Restricted for Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements. The Debt Service Fund Balance reflects amounts for future debt payments.
- 3. Committed Fund Balance** - includes amounts that can be used only for the 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 balance 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 but are neither restricted nor committed. The District has assigned portions of its fund balance 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.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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, committed fund balance (if any) is reduced first, followed by 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.

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.

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.

Interfund Receivables and Payables

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

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 not formally adopted a minimum fund balance policy.

Encumbrances

The District does not utilize encumbrance accounting.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

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)	\$ 19,534,216	\$ 19,534,216
Collateralized - Held by Pledging Bank or Pledging Bank's Trust Department in the District's Name	<u>112,440,050</u>	<u>115,748,455</u>
Total Deposits	<u>\$ 131,974,266</u>	<u>\$ 135,282,671</u>

The above total deposits include restricted assets held in trust totaling \$61,922,498.

Note 3: Assets Held in Trust

Assets held in trust include funds held in escrow totaling \$61,922,498 that includes sinking fund deposits for Qualified Zone Academy Bonds that are required to be used for future principal payments.

Note 4: Accounts Receivable

The accounts receivable balance of \$3,108,960 is comprised of the following at June 30, 2023:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Fiduciary Fund Types</u>	<u>Total</u>
Federal Assistance	\$ -	\$ 1,285,340	\$ 1,629,603	-	2,914,943
State Assistance	<u>194,017</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>194,017</u>
	<u>\$ 194,017</u>	<u>\$ 1,285,340</u>	<u>\$ 1,629,603</u>	<u>\$ -</u>	<u>\$ 3,108,960</u>

Note 5: Commitments

Construction Commitments

The District was contractually obligated for four construction contracts with a total remaining contract balance of approximately \$7,523,000 at June 30, 2023.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Long-Term Debt Issued and Outstanding

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2023</u>	<u>Maturities to June 30, 2023</u>
Bonds payable:					
2/9/2010	2/9/2027	2.15%	52,305,000	\$ 52,305,000	\$ -
11/10/2010	11/1/2029	5.00%	31,460,000	31,460,000	-
9/29/2011	9/1/2028	4.30%	1,140,000	1,140,000	-
8/8/2012	6/1/2034	3.75%	1,920,000	1,920,000	-
11/1/2012	6/1/2035	4.00%	1,290,000	960,000	330,000
9/8/2016	6/1/2030	1.00 - 1.75%	9,610,000	5,615,000	3,995,000
6/4/2019	6/1/2035	2.00 - 2.85%	9,990,000	7,795,000	2,195,000
6/11/2020	6/1/2050	2.00 - 4.00%	<u>173,000,000</u>	<u>170,570,000</u>	<u>2,430,000</u>
Totals			<u>\$ 280,715,000</u>	<u>\$ 271,765,000</u>	<u>\$ 8,950,000</u>

Changes in long-term debt:

<u>Description</u>	<u>Balance June 30, 2022</u>	<u>Issued</u>	<u>Retired/Refunded</u>	<u>Balance June 30, 2023</u>
Bonds Payable	<u>\$ 273,995,000</u>	<u>\$ -</u>	<u>\$ 2,230,000</u>	<u>\$ 271,765,000</u>

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

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Sinking Fund</u>	<u>Total</u>
2024	2,285,000	7,635,989	4,912,973	14,833,962
2025	2,345,000	7,575,719	4,912,972	14,833,691
2026	2,410,000	7,513,254	4,912,972	14,836,226
2027	54,760,000	7,467,986	(7,394,088)	54,833,898
2028	6,700,000	6,295,508	1,836,207	14,831,715
2029 - 2033	66,765,000	23,678,288	(8,047,445)	82,395,843
2034 - 2038	36,790,000	17,248,401	(1,133,591)	52,904,810
2039 - 2043	37,430,000	12,462,213	-	49,892,213
2044 - 2048	43,190,000	6,695,175	-	49,885,175
2049 - 2050	<u>19,090,000</u>	<u>863,250</u>	<u>-</u>	<u>19,953,250</u>
Totals	<u>\$ 271,765,000</u>	<u>\$ 97,435,783</u>	<u>\$ -</u>	<u>\$ 369,200,783</u>

Security for Debt Payments

Arkansas Code § 6-20-1204 specifies procedures to be followed if a school district is delinquent in payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Arkansas Department of Education (ADE). ADE will recover the amount of any delinquent payment by withholding of a school district's state funding or a direct payment from the school district. The District had no delinquent payments during the period of audit.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 6: Operating Leases

At June 30, 2023, the District was in leasing arrangements for certain office equipment and a modular building. Future minimum lease payments under these noncancelable leases are as follows:

2024	\$	155,708
2025		101,944
2026		84,191
2027		<u>7,016</u>
	\$	<u>348,859</u>

Rental expense associated with these leases was approximately \$161,000 for the year ending June 30, 2023.

Note 7: Accounts Payable

The accounts payable balance of \$4,802,409 at June 30, 2023 is as follows:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Fiduciary Fund Types</u>	<u>Total</u>
Vendor Payables	\$ <u>474,838</u>	\$ <u>187,445</u>	\$ <u>4,136,303</u>	\$ <u>3,823</u>	\$ <u>4,802,409</u>

Note 8: Interfund Transfers

The following details the transfers between governmental funds for operating purposes:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfers in	\$ -	\$ 109,452	\$ 10,041,829	\$ 11,341,656	\$ 21,492,937
Transfers out	<u>(16,451,107)</u>	<u>-</u>	<u>-</u>	<u>(5,041,830)</u>	<u>(21,492,937)</u>
	\$ <u>(16,451,107)</u>	\$ <u>109,452</u>	\$ <u>10,041,829</u>	\$ <u>6,299,826</u>	\$ <u>-</u>

Note 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 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 or by calling 1-501-682-1517, or by visiting the ATRS website at www.artrs.gov.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Funding policy: ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 7% 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%.

The District's contributions to ATRS for nonfederally-funded employees for the years ended June 30, 2023, 2022, and 2021 were \$12,074,632, \$10,867,655, and \$10,264,291, respectively. The District's contributions to ATRS for federally funded employees for the years ended June 30, 2023, 2022, and 2021 were \$995,879, \$952,163, and \$744,180, 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 at June 30, 2022 (actuarial valuation date and measurement date) was \$124,992,452.

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, 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 5.25% 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% of annual covered payroll. The District's contributions to APERS for the years ended June 30, 2023, 2022, and 2021 were \$1,187, \$1,032, and \$6,349, 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 at June 30, 2022 (actuarial valuation date and measurement date) was \$8,687.

Note 10: Subsequent Events

The District has evaluated all subsequent events for potential recognition and disclosure through March 22, 2024, the date these financial statements were available to be issued.

In March 2024, the District entered into a contract to purchase property located in Fayetteville, Arkansas for approximately \$4,600,000. The settlement date for the purchase is expected to be April 2024.

FAYETTEVILLE SCHOOL DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2023

Note 11: 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. The District carries commercial insurance for coverage of buildings' contents, board liability, theft, student accidents, bus drivers, and business trip accidental death and dismemberment. Settled claims have not exceeded this commercial 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.

The District is a member of the Arkansas School Board Association Workers' Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994, pursuant to state law. 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 Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance for monitoring, negotiating, and settling claims that have been filed on behalf of and against member districts. The Trust's governing agreement specifies that the Trust will be self-sustaining through member premiums and will reissue through commercial carriers for claims in excess of specified stop loss amounts.

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

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

Note 12: Litigation and Contingencies

The District participates in federally assisted grant programs. The 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 noncompliance which would result in the disallowance of program expenditures.

Note 13: On Behalf Payments

During the year ended June 30, 2023, health insurance premiums of \$2,968,328 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District employees.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

FAYETTEVILLE SCHOOL DISTRICT NO. 1

SCHEDULE OF CAPITAL ASSETS

YEAR ENDED JUNE 30, 2023

(Unaudited)

Nondepreciable Capital Assets:

Land	\$ 15,898,808
Construction in Progress	<u>86,363,216</u>
Total Nondepreciable Capital Assets	102,262,024

Depreciable Capital Assets:

Buildings and Improvements	267,048,001
Furniture, Equipment, Vehicles and Buses	<u>24,648,606</u>
Total Depreciable Capital Assets	291,696,607

Less Accumulated Depreciation for:

Buildings and Improvements	96,079,916
Furniture, Equipment, Vehicles and Buses	<u>21,770,271</u>
Total Accumulated Depreciation	<u>117,850,187</u>

Total Depreciable Capital Assets, Net	<u>173,846,420</u>
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Capital Assets, Net	<u><u>\$ 276,108,444</u></u>
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FAYETTEVILLE SCHOOL DISTRICT NO. 1

SCHEDULE OF STATE ASSISTANCE

YEAR ENDED JUNE 30, 2023

Arkansas Department of Education

State Foundation Funding	\$ 23,660,485
Curriculum Frameworks	233,035
98% Uniform Rate of Tax Actual Collection Adjustment	121,965
Student Growth Funding	776,011
Professional Development Funding	384,703
Limited English Proficiency Allocation	348,798
Food Service State Matching	26,921
Early Childhood Special Education	248,560
Special Education Catastrophic Loss Funding	808,173
Alternative Learning	1,223,399
National School Lunch Student Funding	2,212,588
National School Lunch Match Grant Program	35,891
Arkansas Better Chance Program	608,400
Child Supervision Extended School Year Funding	31,524
Children without Disabilities - Residential Treatment	253,502
Children with Disabilities - Residential Treatment	45,644
Children with Disabilities - LEA Special Education Supervisor	60,940
Early Intervention Day Treatment Centers	88,257
Gifted & Talented - Advance Placement	45,850
School Recognition Awards	331,100
Computer Science Bonus	4,906
Computer Science Initiative Student Support Funding	9,250
State School Safety Grant	148,195
School Based Health Centers	122,877
Residential Centers / Juvenile Detention	266,868
	<hr/>
Total Arkansas Department of Education	32,097,842

Arkansas Department of Workforce Services

Adult Basic Education	187,443
Adult General Education	194,662
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Total Arkansas Department of Workforce Education	382,105
	<hr/>
Total State Assistance	\$ 32,479,947

FAYETTEVILLE 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	Amounts Passed Through to Subrecipients
CHILD NUTRITION CLUSTER				
<u>U.S. Department of Agriculture</u>				
Passed Through Arkansas Department of Education:				
School Breakfast Program - Cash Assistance	7203	10.553	\$ 565,032	\$ -
After School Snack Program - Cash Assistance	7203	10.555	59,660	-
Supply Chain - Cash Assistance 2	7203	10.555	203,206	-
Supply Chain - Cash Assistance 3	7203	10.555	93,639	-
Performance Based Reimbursement	7203	10.555	60,550	-
National School Lunch Program - Cash Assistance	7203	10.555	2,144,164	-
National School Lunch Program - Non-Cash Assistance	7203	10.555	331,354	-
Fresh Fruit and Vegetable Program	7203	10.582	14,996	-
Total Child Nutrition Cluster			3,472,601	-
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U.S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title VI, Part B - Special Education Grants to States	7203	84.027	2,445,902	-
COVID-19 ARP Special Education School Age	7203	84.027X	311,735	-
Special Education Preschool Grants	7203	84.173	78,753	78,753
Total Special Education Cluster (IDEA)			2,836,390	78,753
CCDF Cluster				
<u>U.S. Department of Health and Human Services</u>				
Passed Through Arkansas Department of Human Services:				
COVID-19 Child Care and Development Block Grant	7203	93.575	242,833	-
COVID-19 Achieving AR Child Care Quality Approved Status Grant	7203	93.575	15,404	-
Total CCDF Cluster			258,237	-
OTHER PROGRAMS:				
<u>U.S. Department of Agriculture</u>				
Passed through Arkansas Department of Human Services:				
COVID-19 Local Food for Schools Grant	7203	10.185	11,682	-
Total U.S. Department of Agriculture			11,682	-
<u>U.S. Department of Education</u>				
Passed Through Arkansas Department of Education:				
Title I, Part A	7203	84.010	1,837,462	-
Title I, Part A - School Improvement Grant	7203	84.010	1,881	-
Migrant Education	7203	84.011	91,357	-
Education for Homeless Children and Youth	7203	84.196	19,604	-
Title III, English Language Acquisition	7203	84.365	107,019	-
Title II - Improving Teacher Quality	7203	84.367	277,630	-
Comprehensive Literacy Development	7203	84.371	115,581	-
COVID-19 Education Stabilization Fund - ESSER II	7203	84.425D	31,626	-
COVID-19 Education Stabilization Fund - ESSER III	7203	84.425U	3,599,054	-
COVID-19 Education Stabilization Fund - ARPA - Homeless	7203	84.425W	57,894	-
Total Arkansas Department of Education			6,139,108	-
Passed Through Arkansas Department of Workforce Services:				
Adult Education - Direct and Equitable	7203	84.002	107,000	-
Adult Education - Correctional Institutional Division	7203	84.002	20,000	-
Total Arkansas Department of Workforce Services			127,000	-
Passed Through Arkansas Department of Career Education:				
Career and Technical Education - Basic Grants	7203	84.048	194,026	-
Total U.S. Department of Education			6,460,134	-
Total Other Programs			6,471,816	-
Total Expenditures of Federal Awards			\$ 13,039,044	\$ 78,753

FAYETTEVILLE 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 activities of Fayetteville School District No. 1 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 regulatory basis financial statements. The District did not elect to use the 10% de minimis indirect cost rate.
2. Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$1,240,779 are not covered by the reporting requirements of the Uniform Guidance.
3. Non-monetary assistance is reported at the approximate values as provided by the Arkansas Department of Education.

**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
Fayetteville School District No. 1
Fayetteville, 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 Fayetteville 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 March 22, 2024.

We issued an adverse opinion because the District prepared the financial statements in conformity with accounting practices prescribed by the 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 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 regulatory basis financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for determining 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 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 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 statement. 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 test 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 result 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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
March 22, 2024

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

To the Board of Education
Fayetteville School District No. 1
Fayetteville, Arkansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Fayetteville 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, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its 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 of Management for 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
March 22, 2024

FAYETTEVILLE SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS

1. Our report expresses an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on a regulatory basis of accounting on the basic financial statements of Fayetteville School 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 Uniform Guidance? ☐ Yes ☒ No

7. The Auditee's major programs were:

Cluster/Program	Assistance Listing Number(s)
• Education Stabilization Fund	84.425D, 84.425U and 84.425W
• Special Education Cluster (IDEA)	84.027, 84.027X and 84.173

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

FAYETTEVILLE SCHOOL DISTRICT NO. 1

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

YEAR ENDED JUNE 30, 2023

A. SUMMARY OF AUDITOR'S RESULTS (CONTINUED)

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

☒
Yes

☐
No

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

NONE

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

NONE

D. PRIOR YEAR FINDINGS AND QUESTIONED COSTS

NONE

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

To the Board of Education
Fayetteville School District No. 1
Fayetteville, Arkansas

We have examined management's assertions that Fayetteville School District No. 1 (the "District") substantially complied with the requirements of Arkansas Code Ann. § 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 assertions are 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 assertions, 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, Fayetteville 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 School Board, 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
March 22, 2024

FAYETTEVILLE 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

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding and Purchasing Commodities	6-21-301 – 6-21-305
Ethical Guidelines and Prohibitions	6-13-628; 6-24-101 et seq.
Collateralization and Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	
• Bonded and Non-bonded Debt, District School Bonds	6-20-402 6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Changes in Pullback (no deferrals – declining accrual percentages)	6-20-401
• Investment of Fund	19-1-504
Management of Schools	
• Board of Directors	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.
• District Treasurer	6-13-701
◦ Warrants/checks	6-17-918; 6-17-919; 6-20-403
Management Letter for Audit	14-75-101 – 14-75-104
Nonrecurring Salary Payments	6-20-412
Revolving Loan Fund	6-19-114; 6-20-801 et seq.
Salary Laws - Classified	6-17-2201 et seq.; 6-17-2301 et seq.
School Elections	6-13-622; 6-13-630; 6-13-631; 6-13-634; 6-14-106; 6-14-109; 6-14-118
Teachers and Employees	
• Personnel Policies	6-17-201 et seq., 6-17-2301
• Employment and Assignment	6-17-301 et seq.
• Teacher's License Requirement	6-17-401 et seq.
• Contracts	6-17-801 et seq.
• Certification Requirements	6-17-309; 6-17-401
• Fair Dismissal Act	6-17-1501 et seq.; 6-17-1701 et seq.
• Sick Leave Policies	6-17-1201 et seq.; 6-17-1301 et seq.
• Minimum Wage Act	11-4-213, 11-4-218, 11-4-403, 11-4-405
Teacher Salaries and Foundation Funding Aid	6-17-803; 6-17-907; 6-17-908; 6-17-911 – 6-17-913; 6-17-918; 6-17-919
Trust Funds (Education Excellence)	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205

FAYETTEVILLE SCHOOL DISTRICT NO. 1

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

YEAR ENDED JUNE 30, 2023

<u>DESCRIPTION</u>	<u>STATUTES</u>
Use of DM&O Millage	26-80-110
On Behalf Payments	The amount of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
Arkansas Procurement Law	19-11-201 et. Seq.
Fiscal Accountability	6-20-1901 et. Seq
Enhanced Student Achievement Funding ESA	6-20-2305(B)(4)(F)(I)
Limitation on Fund Balances	6-20-2210 (Waived for 2019-2020 only)
CARES Act (COVID-19) Education Funding	Commissioner's Memo LS-20-089
Charter Facilities Funding	6-23-908

FAYETTEVILLE SCHOOL DISTRICT NO. 1

**SUPPLEMENTAL DATA SHEET AS REQUIRED BY ARKANSAS DEPARTMENT OF HEALTH AUDIT
GUIDELINES**

YEAR ENDED JUNE 30, 2023

(Unaudited)

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

1. Entity's Full Name: Fayetteville School District No. 1 of Washington County
2. Entity's Address: 1000 W. Bulldog Blvd.
Fayetteville, AR 72701
3. Entity's FEIN: 71-6021514
4. Entity's Telephone Number: (479) 444-3000
5. Name of Director: Dr. John Mulford, Superintendent
6. Name of Contact Person: Mickey McFetridge, Director of Finance