

**Prairie Grove School District #23**

**Financial Statements**

**June 30, 2023**

**(With Independent Auditor's Report Thereon)**

# Prairie Grove School District #23

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## INDEPENDENT AUDITOR'S REPORT

To the School Board  
**Prairie Grove School District #23**  
Prairie Grove, Arkansas

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Prairie Grove School District #23 (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 basic financial statements as listed in the table of contents.

#### ***Unmodified Opinion on Regulatory Basis of Accounting***

In our opinion, the accompanying financial statements present fairly, in all material respects, the assets, liabilities, and fund balances of the funds as presented of the District as of June 30, 2023, and their respective revenues, expenditures, and changes in fund balances and budgetary results for the year then ended in accordance with the basis of accounting practices prescribed or permitted by the State of Arkansas (the State) as described in Note 2.

#### ***Adverse Opinion on U.S. Generally Accepted Accounting Principles***

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of each fund of the District as of June 30, 2023, or the changes in financial position and cash flows thereof for the year then ended.

#### ***Basis for Unmodified Opinion***

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.

## **Prairie Grove School District #23**

Prairie Grove, Arkansas

### ***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 2 of the financial statements, the financial statements are prepared by the District on the basis of accounting practices prescribed or permitted by the State to demonstrate compliance with the State's regulatory basis of accounting and budget laws, 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 2 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 the financial statements in accordance with accounting practices prescribed or permitted by the State to demonstrate compliance with the State's regulatory basis of accounting and budget laws. 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.

### ***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.

## **Prairie Grove School District #23**

Prairie Grove, Arkansas

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.

### ***Required Supplementary Information***

Accounting practices prescribed or permitted by the State which practices differ from accounting principles generally accepted in the United States of America, require that the schedule of capital assets be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District’s basic financial statements. The Schedule of Expenditures of Federal Awards required by the audit 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”) and the Schedule of State Assistance required by the Department of Health and Human Services are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Prairie Grove School District #23**

Prairie Grove, Arkansas

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 16, 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 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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas

January 16, 2024

## Financial Statements

# Prairie Grove School District #23

## Balance Sheet – Regulatory Basis June 30, 2023

	Governmental Funds				
	Major				
	General Fund	Special Revenue Fund	Other Funds in Aggregate	Fiduciary Funds	Total
ASSETS					
Cash	\$ 1,130,734	\$ 303,177	\$ 4,456,302	948,599	\$ 6,838,812
Deposits with paying agents	-	-	608,268	-	608,268
Certificates of deposit	586,662	-	4,070,936	-	4,657,598
Account receivable	5,164	80,183	-	-	85,347
Total assets	\$ 1,722,560	\$ 383,360	\$ 9,135,506	\$ 948,599	\$ 12,190,025
LIABILITIES AND FUND BALANCES					
Liabilities					
Due to student groups	\$ -	\$ -	\$ -	\$ 948,599	\$ 948,599
Total liabilities	-	-	-	948,599	948,599
Fund balances					
Restricted	353,232	383,360	9,135,506	-	9,872,098
Assigned	490,503	-	-	-	490,503
Unassigned	878,825	-	-	-	878,825
Total fund balances	1,722,560	383,360	9,135,506	-	11,241,426
Total liabilities and fund balances	\$ 1,722,560	\$ 383,360	\$ 9,135,506	\$ 948,599	\$ 12,190,025

See accompanying notes to financial statements.



# Prairie Grove School District #23

## Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis Year ended June 30, 2023

	Major		Other Funds in	
	General Fund	Special Revenue Fund	Aggregate	Total
<b>REVENUES</b>				
Local property taxes	\$ 9,203,750	\$ -	\$ -	\$ 9,203,750
Other local revenues	543,538	376,306	73,802	993,646
State assistance	11,933,507	43,537	740,374	12,717,418
Federal assistance	8,352	2,856,605	37,711	2,902,668
<b>Total Revenues</b>	<b>21,689,147</b>	<b>3,276,448</b>	<b>851,887</b>	<b>25,817,482</b>
<b>EXPENDITURES</b>				
Regular programs	7,479,559	47,203	-	7,526,762
Special education	1,049,161	281,303	-	1,330,464
Vocational education	838,964	-	-	838,964
Compensatory education	119,845	475,754	-	595,599
Other instructional programs	1,023,635	130,855	-	1,154,490
Facilities acquisition and construction	265,127	520,398	1,222,241	2,007,766
Food service	-	1,437,583	-	1,437,583
Operation and maintenance	2,199,029	39,702	-	2,238,731
Community service	103,181	-	-	103,181
Student transportation	665,484	-	-	665,484
Support services	4,413,867	669,233	-	5,083,100
Debt service				
Principal	49,583	-	660,000	709,583
Interest and fiscal charges	4,870	-	437,243	442,113
<b>Total Expenditures</b>	<b>18,212,305</b>	<b>3,602,031</b>	<b>2,319,484</b>	<b>24,133,820</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>3,476,842</b>	<b>(325,583)</b>	<b>(1,467,597)</b>	<b>1,683,662</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	24,812,728	150,364	3,103,918	28,067,010
Transfers out	(28,067,010)	-	-	(28,067,010)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,254,282)</b>	<b>150,364</b>	<b>3,103,918</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>222,560</b>	<b>(175,219)</b>	<b>1,636,321</b>	<b>1,683,662</b>
<b>FUND BALANCES, BEGINNING OF YEAR</b>	<b>1,500,000</b>	<b>558,579</b>	<b>7,499,185</b>	<b>9,557,764</b>
<b>FUND BALANCES, END OF YEAR</b>	<b>\$ 1,722,560</b>	<b>\$ 383,360</b>	<b>\$ 9,135,506</b>	<b>\$ 11,241,426</b>

See accompanying notes to financial statements.

## Prairie Grove School District #23

### Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual –General Fund – Regulatory Basis Year ended June 30, 2023

	Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES</b>			
Local property taxes	\$ 7,530,000	\$ 9,203,750	\$ 1,673,750
Other local revenues	382,870	543,538	160,668
State assistance	11,908,655	11,933,507	24,852
Federal assistance	8,300	8,352	52
<b>Total Revenues</b>	<u>19,829,825</u>	<u>21,689,147</u>	<u>1,859,322</u>
<b>EXPENDITURES</b>			
Regular programs	8,009,718	7,479,559	530,159
Special education	1,068,456	1,049,161	19,295
Vocational education	669,682	838,964	(169,282)
Compensatory education	105,465	119,845	(14,380)
Other instructional programs	1,160,179	1,023,635	136,544
Facilities acquisition and construction	-	265,127	(265,127)
Operation and maintenance	2,099,260	2,199,029	(99,769)
Community service	68,206	103,181	(34,975)
Student transportation	636,354	665,484	(29,130)
Support services	4,147,965	4,413,867	(265,902)
Debt service			
Principal	55,000	49,583	5,417
Interest and fiscal charges	-	4,870	(4,870)
<b>Total Expenditures</b>	<u>18,020,285</u>	<u>18,212,305</u>	<u>(192,020)</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>1,809,540</u>	<u>3,476,842</u>	<u>1,667,302</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	25,224,842	24,812,728	(412,114)
Transfers out	(26,472,797)	(28,067,010)	(1,594,213)
<b>Total Other Financing Sources (Uses)</b>	<u>(1,247,955)</u>	<u>(3,254,282)</u>	<u>(2,006,327)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ 561,585</u>	222,560	<u>\$ (339,025)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>1,500,000</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 1,722,560</u>	

See accompanying notes to financial statements.

## Prairie Grove School District #23

### Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – Special Revenue Fund – Regulatory Basis Year ended June 30, 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>REVENUES</b>			
Other local revenues	\$ 257,500	\$ 376,306	\$ 118,806
State assistance	6,000	43,537	37,537
Federal assistance	3,483,161	2,856,605	(626,556)
<b>Total Revenues</b>	<u>3,746,661</u>	<u>3,276,448</u>	<u>(470,213)</u>
<b>EXPENDITURES</b>			
Regular programs	16,664	47,203	(30,539)
Special education	308,897	281,303	27,594
Compensatory education	498,258	475,754	22,504
Other instructional programs	262,334	130,855	131,479
Facilities acquisition and construction	-	520,398	(520,398)
Operation and maintenance	67,731	39,702	28,029
Food service	1,979,454	1,437,583	541,871
Community services	78,125	-	78,125
Support services	573,566	669,233	(95,667)
<b>Total Expenditures</b>	<u>3,785,029</u>	<u>3,602,031</u>	<u>182,998</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(38,368)</u>	<u>(325,583)</u>	<u>(287,215)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	35,096	150,364	115,268
Transfers out	(35,096)	-	35,096
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>150,364</u>	<u>150,364</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>\$ (38,368)</u>	<u>(175,219)</u>	<u>\$ (136,851)</u>
<b>FUND BALANCE, BEGINNING OF YEAR</b>		<u>558,579</u>	
<b>FUND BALANCE, END OF YEAR</b>		<u>\$ 383,360</u>	

See accompanying notes to financial statements.

# Prairie Grove School District #23

## Notes to Financial Statements Year ended June 30, 2023

### **NOTE 1: NATURE OF ACTIVITIES**

Prairie Grove School District #23 (the "District") is a political subdivision of the Arkansas Department of Education, governed by an elected seven-member school board and the Superintendent. The statements reflect all funds and accounts directly under the control of the District. Using the criteria of financial accountability, there are no component units that are or should be included in the District's reporting entity.

### **NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **Fund Accounting**

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

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *special revenue fund* accounts for and reports 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 and projects, including the District's food services operations. The special revenue fund also includes transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

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.

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 Funds – Account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District held for others in an agency capacity.

# Prairie Grove School District #23

## Notes to Financial Statements Year ended 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 Ark. Code Ann. 10-4-413(c), as provided in Act 2201 of 2005, 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, specific procedures for the identification of major governmental funds and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds, if any, will be reflected in the notes to financial statements.

### Cash

The District's cash consists of demand deposits maintained at financial institutions. State statutes require that the District's funds be deposited in banks located in the State of Arkansas and that all deposit balances in excess of Federal Deposit Insurance Corporation (FDIC) insurance limits be collateralized.

### Deposits with Paying Agents

Deposits with paying agents include funds held in escrow with banks totaling \$608,268 at June 30, 2023. The balance includes sinking fund deposits that are required to be used for future principal payments on the District's long-term debt.

### Certificates of Deposit

The District's certificates of deposit have renewal periods of six months, are stated at cost and totaled \$4,657,598 at June 30, 2023.

# Prairie Grove School District #23

## Notes to Financial Statements Year ended June 30, 2023

### Revenue Recognition Policies

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

### Capital Assets

Information on capital assets and related depreciation is reported as supplementary information. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The District maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives in Years</u>
Improvements / infrastructure	20
Building	50
Equipment	5-20

### Fund Balance Classifications

Fund balance is reported under the following five classifications:

Nonspendable fund balance – Amounts that are not in a spendable form or are required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes stipulated by external parties, constitutional provisions, or enabling legislation. The Restricted for Federal Programs balance reflects amounts restricted for specific federal programs mandated by respective federal grant or funding agreements. The Restricted for Capital Projects balance reflects unspent bond proceeds that are intended for construction projects.

Committed – Amounts that can only be used 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 June 30, 2023.

Assigned – Amounts intended for a specific purpose the Board of Education or by a District official that has been delegated authority to assign amounts. The District has assigned portions of its fund balance for construction or other capital outlay projects.

Unassigned – 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.

# **Prairie Grove School District #23**

## **Notes to Financial Statements Year ended June 30, 2023**

For the purposes of fund balance classification, the District's policy is to have expenditures spent from restricted fund balance first, followed in order by committed fund balance (if any), assigned fund balance (if any) and lastly unassigned fund balance.

### **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.

Arkansas Code Ann. § 6-20-401 allows, but does not mandate, the District to accrue the difference between the amount of 2022 calendar year taxes collected by June 30, 2023 and 4 percent of the proceeds of the local taxes that are not pledged to secure bonded indebtedness. The District elected not to accrue property taxes.

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 shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the uniform rate of tax 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, the uniform rate of tax revenues are considered property taxes.

### **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 variance 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 transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – Regulatory Basis.

Budgetary perspective difference 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.

### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

## Prairie Grove School District #23

### Notes to Financial Statements Year ended June 30, 2023

#### **NOTE 3: DEPOSITS IN FINANCIAL INSTITUTIONS**

Deposits in financial institutions are carried at cost (carrying value), and include cash, deposits with paying agents, and certificates of deposit. A comparison of the bank balance and carrying balance at June 30, 2023 is as follows:

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>11,604,678</u>	<u>12,202,459</u>
Total Deposits	<u><u>\$ 12,104,678</u></u>	<u><u>\$ 12,702,459</u></u>

#### **NOTE 4: INTERFUND TRANSFERS**

Transfers are used to (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

Amount of interfund transfers between funds during the year ended June 30, 2023 are summarized as follows:

<u>Description</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund		
Operating Fund	\$ 16,073,574	\$ 28,067,010
Teacher Salary Fund	8,739,154	-
Special Revenue Fund		
Food Services Fund	150,364	-
Other Funds in Aggregate		
Debt Service	1,059,532	-
Building Fund	<u>2,044,386</u>	<u>-</u>
	<u><u>\$ 28,067,010</u></u>	<u><u>\$ 28,067,010</u></u>



## Prairie Grove School District #23

### Notes to Financial Statements Year ended June 30, 2023

#### NOTE 5: COMMITMENTS

##### General Obligation Bonds

The District issues general obligation bonds to provide funds for the acquisition, construction and operation of major capital facilities. General obligation bonds have been issued for the general government and to refund general obligation bonds. General obligation bonds are direct obligations and are secured by the full faith credit and resources of the District and all its revenues from whatever source derived (which are legally pledgeable). Each issue contains an option allowing bonds to be called in inverse numerical order on or after a specific date for redemption prior to maturity.

The following is a summary of the District's debt service transactions for the year ended June 30, 2023:

<b>Date of Issue</b>	<b>Debt Outstanding</b>	<b>Additions</b>	<b>Payments</b>	<b>Debt Outstanding</b>
2011 Bonds	\$ 930,000	\$ -	\$ -	\$ 930,000
2019 Bonds	13,605,000	-	435,000	13,170,000
2020 Bonds	5,710,000	-	225,000	5,485,000
2021 Bonds	8,805,000	-	-	8,805,000
	<u>\$ 29,050,000</u>	<u>\$ -</u>	<u>\$ 660,000</u>	<u>\$ 28,390,000</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 670,000	\$ 609,258	\$ 1,279,258
2025	910,000	594,503	1,504,503
2026	1,105,000	578,165	1,683,165
2027	1,125,000	561,143	1,686,143
2028	1,150,000	542,763	1,692,763
2029-2033	7,275,000	2,213,638	9,488,638
2034-2038	7,275,000	1,507,300	8,782,300
2039-2043	8,370,000	612,860	8,982,860
2044	510,000	-	510,000
	<u>\$ 28,390,000</u>	<u>\$ 7,219,630</u>	<u>\$ 35,609,630</u>

## Prairie Grove School District #23

### Notes to Financial Statements Year ended June 30, 2023

A summary of each bond issue is as follows:

<u>Date of Issue</u>	<u>Amount of Original Issue</u>	<u>Interest Rate Percent</u>	<u>Date of Final Maturity</u>	<u>Debt Outstanding June 30, 2023</u>
2011 Bonds	\$ 930,000	4.30	9/1/2028	\$ 930,000
2019 Bonds	14,440,000	2.50/3.00	2/1/2043	13,170,000
2020 Bonds	6,165,000	1.25/2.00	2/1/2043	5,485,000
2021 Bonds	8,805,000	0.4/1.55	8/1/2043	8,805,000

#### Qualified School Construction Bond (QSCB)

On September 20, 2011, the District obtained funding through the Qualified School Construction Bond (QSCB) program, a financial arrangement authorized under the American Recovery and Reinvestment Act of 2009. A QSCB does not generally require interest payments from the borrower. The eligible financial institution holding the bond receives a direct interest payment from the federal government. The principal is not due until the end of the term. The District borrowed \$930,000 through this program by issuing direct pay construction bonds.

The District is depositing \$54,706 annually into a sinking fund for 17 years for a total of \$930,000. This amount plus interest will be used to retire debt when due.

#### **NOTE 6: ON-BEHALF PAYMENTS**

During the year ended June 30, 2023, health insurance premiums of \$472,292 were paid by the Arkansas Department of Education to the Arkansas Employees Benefits Division on behalf of District Employees.

#### **NOTE 7: EMPLOYEE RETIREMENT SYSTEMS AND 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 or by calling 1-800-666-2877.

# Prairie Grove School District #23

## Notes to Financial Statements Year ended June 30, 2023

Funding Policy - ATRS has contributory and non-contributory plans. Contributory members are required by law to contribute 7.00% of their salary. Each participating employer is required by law to contribute at a rate established by the Arkansas General Assembly. The current employer rate is 15.00%. The authority to establish and amend contribution requirements of plan members and the District is set forth in state law and is vested in the ATRS's Board of Trustees. The contributions from the District for the year ended June 30, 2022 were \$1,681,308, equal to the required contributions. The contributions from the District for the year ended June 30, 2021 were \$1,565,148.

### **Net Pension Liability**

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of GASB 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 \$17,695,454.

### **NOTE 8: PRIVATE PURPOSE TRUST FUND**

The District maintains a private purpose trust fund used to issue scholarships. There were \$367,060 in contributions to the trust fund in the current year and \$30,855 in scholarships and fees were paid out. The balance remaining in this fund at June 30, 2023 is \$427,903.

### **NOTE 9: RISK MANAGEMENT**

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters.

The District carries commercial insurance for buildings, contents, board liability, student accident, and business trip accidental death and dismemberment.

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 \$250,000 with a \$1,000 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

The District participates in the Arkansas 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.

## Prairie Grove School District #23

### Notes to Financial Statements Year ended June 30, 2023

The District also 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 member districts, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The District pays an annual premium for its coverage of vehicles.

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

The District participates in federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditures, which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any items of noncompliance which would result in the disallowance of program expenditures.

#### **NOTE 10: CAPITAL LEASE**

During the year ended June 30, 2018, the District entered into a lease for a lighting equipment project that is classified as a capital lease. As of June 30, 2023, the cost of the equipment under capital leases was \$334,000 and accumulated depreciation on the equipment was \$83,500.

The future minimum lease payments required under the capital lease and the present value of the net minimum lease payments as of June 30, 2023, are as follows:

Year ending June 30,	
2024	\$ 54,453
2025	<u>49,915</u>
Total minimum lease payments	104,368
Less amount representing interest	<u>3,883</u>
Present value of minum lease payments	<u><u>\$ 100,485</u></u>

## **Prairie Grove School District #23**

### **Notes to Financial Statements Year ended June 30, 2023**

#### ***NOTE 11: SIGNIFICANT ACCOUNTING PRONOUNCEMENTS***

Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB 87 improves consistency in accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provision of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. GASB 87 is effective for periods beginning after June 15, 2021, with earlier application encouraged.

Management will not be implementing GASB 87 due to the fact that the District is required by Arkansas state law to report on the regulatory basis, and property and equipment is not presented on the financial statements.

#### ***NOTE 12: SUBSEQUENT EVENTS***

Management has evaluated subsequent events through January 16, 2024, the date that the financial statements were available to be issued.

In September 2023, the School Board approved a renovation of the high school football field with turf at a total cost of approximately \$1,240,000.

In October 2023, the District purchased land for \$895,000. The land is to be used for future school construction.

## **Required Supplementary Information**

## Prairie Grove School District #23

### Schedule of Capital Assets (Unaudited) June 30, 2023

Non-depreciable capital assets	
Land	\$ 2,136,448
Construction in progress	-
Total non-depreciable capital assets	<u>2,136,448</u>
Depreciable capital assets	
Buildings	48,710,288
Improvements	1,822,076
Equipment	<u>5,400,103</u>
	55,932,467
Less accumulated depreciation	<u>14,710,289</u>
Total depreciable capital assets	<u>41,222,178</u>
Capital assets, net	<u><u>\$ 43,358,626</u></u>

See Independent Auditor's Report.

**Other Reports and  
Supplementary Information**



# Prairie Grove School District #23

## Schedule of Expenditures of Federal Awards Year ended June 30, 2023

<u>Cluster / Program</u>	<u>Federal Agency / Pass-Through Entity</u>	<u>Pass Through Entity Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Amount Expended</u>
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster				
School Breakfast Program	AR Department of Education	7206	10.553	\$ 134,732
Supply Chain Assistance	AR Department of Education	7206	10.555	67,327
National School Lunch Program	AR Department of Education	7206	10.555	476,988
Commodities	AR Department of Education	7206	10.555	<u>120,596</u>
	Total Child Nutrition Cluster			<u>799,643</u>
	<b>Total U.S. Department of Agriculture</b>			<u>799,643</u>
<b>U.S. Department of Education</b>				
E.S.E.A. Title I, Part A				
Title I Grants to Local Education Agencies	AR Department of Education	7206	84.010	257,616
Special Education Cluster				
Grants to States (IDEA, Part B)	AR Department of Education	7206	84.027	437,629
ARP SPED School Age Grants	AR Department of Education	7206	84.027X	25,630
Special Education Preschool Grants	AR Department of Education	7206	84.173	25,792
ARP SPED Early Childhood Funding	AR Department of Education	7206	84.173X	<u>7,273</u>
	Total Special Education Cluster			<u>496,324</u>
Title II, Part A Improving Teacher Quality State Grants	AR Department of Education	7206	84.367	34,483

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

# Prairie Grove School District #23

## Schedule of Expenditures of Federal Awards Year ended June 30, 2023

<u>Cluster / Program</u>	<u>Federal Agency / Pass-Through Entity</u>	<u>Pass Through Entity Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Amount Expended</u>
<b>U.S. Department of Education (Continued)</b>				
SOAR Grant	AR Department of Education	7206	84.371	87,286
Title IV Student Support & Academic Enrichment	AR Department of Education	7206	84.424A	15,096
ARP ESSER III	AR Department of Education	7206	84.425U	998,885
ARPA II - Homeless Children & Youth	AR Department of Education	7206	84.425W	<u>11,747</u>
<b>Total U.S. Department of Education</b>				<u>1,901,437</u>
<b>U.S. Department of Health and Human Services</b>				
Child Care and Development Fund Cluster				
Child Care and Development Block Grant	AR Department of Health and Human Services	7206	93.575	<u>43,591</u>
Total Child Care and Development Fund Cluster				43,591
AWARE Grant	AR Department of Health and Human Services	7206	93.575	<u>9,695</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>53,286</u>
<b>Total Federal Awards</b>				<u><u>\$ 2,754,366</u></u>

See Independent Auditor's Report and Notes to Schedule of Expenditures of Federal Awards.

# **Prairie Grove School District #23**

## **Notes to Schedule of Expenditures of Federal Awards Year ended June 30, 2023**

### **Scope of Audit Pursuant to the Uniform Guidance**

All federal financial award programs of Prairie Grove School District #23 (the "District") are included in the scope of the Uniform Guidance audit. For purposes of this schedule, federal awards include those received from other agencies, the original source of which was a federal agency.

### **Summary of Significant Accounting Policies**

The District's grant funds are accounted for on the modified accrual basis of accounting. Under the modified accrual basis, grant revenues are recognized when received and expenditures are recorded when paid. These grant funds are included in the Federal assistance line of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Regulatory Basis. The grant programs are administered by various departments within the District. The activities of these departments are monitored by District staff to ensure compliance with the requirements of grants.

### **Relationship to Federal Financial Reports**

Grant expenditures reports as of June 30, 2023, which have been submitted to grantor agencies will, in some cases, differ slightly from amounts disclosed herein. The reports prepared for grantor agencies are typically prepared at a later date and often reflect refined estimates of the year-end accruals. The reports will agree at termination of the grant as the discrepancies noted are timing differences.

### **10% De Minimis Indirect Cost Rate**

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

### **Medicaid Reimbursements**

Medicaid reimbursements are defined as contracts for services and not federal awards; therefore, they are not covered by the reporting requirements of the Uniform Guidance. Total Medicaid funding for the year ended June 30, 2023 was \$202,309, of which \$36,668 was received from the Arkansas Department of Human Services.

# Prairie Grove School District #23

## Schedule of State Assistance Year ended June 30, 2023

<u>Cluster/Program</u>	<u>Pass-Through Entity</u>	<u>Amount Awarded</u>
Academic Faculty Partnership	AR Department of Education	\$ 740,374
Alternative Learning	AR Department of Education	156,407
Arkansas Better Chance Preschool	AR Department of Education	246,402
Assessment End of Learning	AR Department of Education	6,900
Bond Assisted Debt	AR Department of Education	58,292
Children with Disabilities - LEA Special Education Supervisor	AR Department of Education	12,415
Coordinated School Health	AR Department of Education	7,147
Early Childhood Special Education	AR Department of Education	63,876
Early Intervention Day Treatment (EIDT)	AR Department of Education	22,681
English Language Learners (ELL)	AR Department of Education	27,816
Enhanced Student Achievement Match Grant	AR Department of Education	2,858
Governor's Computer Science Grant	AR Department of Education	300
National Board Certification Teacher Bonus	AR Department of Education	24,530
National School Lunch Program	AR Department of Education	508,984
Professional Development Funding	AR Department of Education	77,166
State School Safety Grant	AR Department of Education	5,164
State Foundation Funding	AR Department of Education	10,027,243
State Child Nutrition Match	AR Department of Education	6,869
Student Growth Funding	AR Department of Education	309,326
Teacher Salary Equalization	AR Department of Education	376,000
<b>Total AR Department of Education</b>		<b>12,680,750</b>
Foster Care - Title IV-E	AR Department of Human Services	36,668
<b>Total AR Department of Human Services</b>		<b>36,668</b>
<b>Total State Assistance</b>		<b>\$ 12,717,418</b>

See Independent Auditor's Report.



**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 School Board

**Prairie Grove School District #23**

Prairie Grove, Arkansas

We have audited, 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, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Prairie Grove School District #23 (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 basic financial statements, and have issued our report thereon dated January 16, 2024. We issued an adverse opinion because the District prepared the financial statements using accounting practices prescribed or permitted by the State of Arkansas, which practices differ from 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. However, the financial statements present fairly, in all material respects, the assets, liabilities, and fund balances of the funds as presented of the District as of June 30, 2023, and their respective revenues, expenditures, and changes in fund balances and budgetary comparisons for the year then ended, in accordance with the financial reporting provisions prescribed by the State described in Note 2.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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.

**Prairie Grove School District #23**

Prairie Grove, Arkansas

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. We did identify 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 material weakness.

**Report on Compliance and Other Matters**

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

**The District's Response to Findings**

The District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas

January 16, 2024



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH THE UNIFORM GUIDANCE**

To the School Board  
**Prairie Grove School District #23**  
Prairie Grove, Arkansas

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

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

We have audited Prairie Grove School District #23'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 independent 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.

## **Prairie Grove School District #23**

Prairie Grove, Arkansas

### ***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.



**Prairie Grove School District #23**

Prairie Grove, Arkansas

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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas

January 16, 2024

# Prairie Grove School District #23

## Schedule of Findings and Questioned Costs Year ended June 30, 2023

### I. SUMMARY OF INDEPENDENT AUDITOR'S RESULTS

1. The opinion expressed in the independent auditor's report for the GAAP basis of accounting was:

☐ Unmodified    ☐ Qualified    ☒ Adverse    ☐ Disclaimer

The opinion expressed in the independent auditor's report for the regulatory basis of accounting was:

☒ Unmodified    ☐ Qualified    ☐ Adverse    ☐ Disclaimer

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

Significant deficiency(ies)?    ☐ Yes    ☒ None reported  
Material weakness(es)?    ☒ 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 that could have a direct and material effect on each major federal awards program disclosed:

Significant deficiency(ies)?    ☐ Yes    ☒ None reported  
Material weakness(es)?    ☐ Yes    ☒ No

5. The opinion expressed in the independent auditor's report on compliance with requirements that could have a direct and material effect on each major federal awards program was:

☒ Unmodified    ☐ Qualified    ☐ Adverse    ☐ Disclaimer

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

☐ Yes    ☒ No

7. The District's major programs were:

Cluster / Program	Assistance Listing Number
Child Nutrition Cluster	
School Breakfast Program	10.553
Emergency Food Assistance Program, Supply Chain Assistance, National School Lunch Program, Commodities	10.555
ARP ESSER III	84.425U
ARPA II - Homeless Children & Youth	84.425W

## Prairie Grove School District #23

### Schedule of Findings and Questioned Costs Year ended June 30, 2023

8. The threshold used to distinguish between Type A and Type B programs as those terms are defined in the Uniform Guidance was \$750,000.
9. The District qualified as a low-risk auditee as that term is defined in the Uniform Guidance?

☐ Yes ☒ No

## II. FINDINGS RELATED TO THE FINANCIAL STATEMENT AUDIT AS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GENERALLY ACCEPTED *GOVERNMENT AUDITING STANDARDS*

### 2023-001: Segregation of Duties

**Condition:** To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. During the year ended June 30, 2023, the District did not have a process in place to ensure proper segregation of duties.

**Criteria and Cause:** A proper segregation of duties is an integral part of any internal control system. Ideally, duties should be segregated to prevent one person from being in a position to authorize transactions, record transactions and maintain custody of assets of the District. During the year ended June 30, 2023, we noted that the District Treasurer had full system access to the accounting records and has the ability to post journal entries without oversight.

**Effect:** Under the current process, a fraudulent or incorrect transactions could be recorded by the District Treasurer without being detected. This lack of proper segregation of duties increases the risk that errors or fraud may occur and not be detected in a timely manner.

**Recommendation:** We strongly suggest that record keeping, authorization and journal entry posting be segregated. Furthermore, we suggest limiting the District Treasurer's accounting system access. We also suggest that review of journal entries occurs at least monthly. These modifications to the procedures will greatly strengthen internal controls over this area.

**Views of Responsible Officials and Planned Corrective Actions:** The District will make every effort to implement the recommended procedures in order to strengthen internal controls.

## III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

None

## Prairie Grove School District #23

### Summary Schedule of Prior Year Audit Findings Year ended June 30, 2023

#### 2022-001: Segregation of Duties

**Condition:** To ensure the proper safeguarding of assets, financial accounting duties relating to initiating, receipting, depositing, disbursing, and recording transactions should be distributed among appropriate employees. During the year ended June 30, 2022, the District did not have a process in place to ensure proper segregation of duties.

**Criteria and Cause:** A proper segregation of duties is an integral part of any internal control system. Ideally, duties should be segregated to prevent one person from being in a position to authorize transactions, record transactions and maintain custody of assets of the District. During the year ended June 30, 2022, we noted that the District Treasurer had full system access to the accounting records and has the ability to post journal entries without oversight.

**Effect:** Under the current process, a fraudulent or incorrect transactions could be recorded by the District Treasurer without being detected. This lack of proper segregation of duties increases the risk that errors or fraud may occur and not be detected in a timely manner.

**Recommendation:** We strongly suggest that record keeping, authorization and journal entry posting be segregated. Furthermore, we suggest limiting the District Treasurer's accounting system access. We also suggest that review of journal entries occurs at least monthly. These modifications to the procedures will greatly strengthen internal controls over this area.

**Status:** The District will continue to evaluate the cost/benefit of hiring additional support staff to achieve complete segregation of duties.



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

The School Board  
**Prairie Grove School District #23**  
Prairie Grove, Arkansas

We have examined management's assertions that Prairie Grove School District #23 (the "District") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and applicable laws and regulations listed on Arkansas Department of Education form OCI 95-96 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 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 and, accordingly, including examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the District's compliance with specified requirements.

In our opinion, the District complied, in all material respects, 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.

A handwritten signature in black ink that reads "Landmark PLC". The signature is written in a cursive, flowing style.

Rogers, Arkansas  
January 16, 2024

## **Prairie Grove School District #23**

**Supplemental Data Sheet  
Required by the Department of Health and Human Services  
June 30, 2023**

Name and address: Prairie Grove School District #23  
102 E. Buchanan St.  
Prairie Grove, AR 72753

Employer Identification Number: 71-6038439

Telephone number: (479) 266-1803

Superintendent: Lance Campbell

Contact Person: Ann Dunham

Cost of audit: Available upon request