



**REGULATORY BASIS FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025

with

INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

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

Opinions

We have audited the accompanying financial statements of each major governmental fund, and the aggregate remaining fund information of Conway School District No. 1 (the "District"), as of and for the year ended June 30, 2025, 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 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, 2025, and the respective regulatory basis statement of revenues, expenditures and changes in fund balances and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, in accordance with the financial reporting provisions of Arkansas Code Ann. § 10-4-413(c) provided in Act 2201 of 2005 as described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2025, or the changes in financial position of the District 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 Conway School District No. 1 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

As described in Note 1, the financial statements are prepared by the District on the basis of the financial reporting provisions of Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Arkansas. The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material and pervasive.

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Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the financial reporting practices prescribed by Arkansas Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is described in Note 1. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

To the Board of Education
Page Three

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's regulatory basis financial statements. The schedule of state assistance and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, are presented for purposes of additional analysis and are not a required part of the regulatory basis financial statements. Such information is the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the regulatory basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the regulatory basis financial statements or to the regulatory basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of state assistance and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the regulatory basis financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the schedule of capital assets and supplemental data sheet as required by Arkansas Department of Human Services Audit Guidelines but does not include the regulatory financial statements and our auditor's report thereon. Our opinions on the regulatory financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the regulatory financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal

HCS CPAs & Advisors, PLLC

Little Rock, Arkansas
March 6, 2026

FINANCIAL STATEMENTS

CONWAY SCHOOL DISTRICT NO. 1**BALANCE SHEET - REGULATORY BASIS****JUNE 30, 2025**

	Governmental Funds			
	Major			Fiduciary Fund Types
	General Fund	Special Revenue Fund	Other Governmental Funds	
ASSETS				
Cash and Cash Equivalents	\$ 8,906,640	\$ 3,442,700	\$ 12,915,990	\$ 580,314
Accounts Receivable	171,961	834,970	-	-
Due from Other Funds	818,198	-	-	-
Total Assets	<u>\$ 9,896,799</u>	<u>\$ 4,277,670</u>	<u>\$ 12,915,990</u>	<u>\$ 580,314</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	\$ 1,200,462	\$ 24,059	\$ 61,203	\$ 4,119
Due to Other Funds	-	818,198	-	-
Due to Student /Other Groups	-	-	-	576,195
Total Liabilities	<u>1,200,462</u>	<u>842,257</u>	<u>61,203</u>	<u>580,314</u>
Fund Balances:				
Restricted:				
State Programs	1,227,279	-	-	-
Federal Programs	-	3,435,413	-	-
Assigned:				
Capital Projects	-	-	12,854,787	-
Unassigned	7,469,058	-	-	-
Total Fund Balances	<u>8,696,337</u>	<u>3,435,413</u>	<u>12,854,787</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 9,896,799</u>	<u>\$ 4,277,670</u>	<u>\$ 12,915,990</u>	<u>\$ 580,314</u>

See accompanying notes.

CONWAY SCHOOL DISTRICT NO. 1

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS**

YEAR ENDED JUNE 30, 2025

	Major		
	General Fund	Special Revenue Fund	Other Governmental Funds
REVENUES			
Property Taxes	\$ 59,969,744	\$ -	\$ -
Interest	1,123,099	68,007	307,148
Tuition Charges	15,103	-	-
State Revenues	50,982,988	125,349	-
Federal Revenues	-	13,582,592	-
Food Services	-	1,171,371	-
Student Activities	863,426	-	-
Other	172,237	7,975	144,750
	<u>113,126,597</u>	<u>14,955,294</u>	<u>451,898</u>
EXPENDITURES			
Current:			
Instruction and Instructional - Related Services	60,657,374	5,686,481	17,312
Support Services	38,037,588	2,374,922	1,614,549
Non-Instructional Services	179,038	6,724,504	-
Other	-	18,816	-
Debt Service:			
Principal Retirement	-	-	6,715,000
Interest and Fiscal Charges	-	-	3,108,483
Paying Agent's Fees	-	-	10,708
Capital Outlay	777,676	433,791	757,285
	<u>99,651,676</u>	<u>15,238,514</u>	<u>12,223,337</u>
Excess (Deficiency) of Revenue Over Expenditures	13,474,921	(283,220)	(11,771,439)
OTHER FINANCING (USES) SOURCES			
Transfers, Net	(11,814,057)	-	11,814,057
Compensation for Disposal of Capital Assets	19,692	-	-
Total Other Financing (Uses) Sources	<u>(11,794,365)</u>	<u>-</u>	<u>11,814,057</u>
Net Change in Fund Balances	1,680,556	(283,220)	42,618
Fund Balance - Beginning	<u>7,015,781</u>	<u>3,718,633</u>	<u>12,812,169</u>
Fund Balance - Ending	<u>\$ 8,696,337</u>	<u>\$ 3,435,413</u>	<u>\$ 12,854,787</u>

See accompanying notes.

CONWAY 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, 2025

	General Fund		
	Budget	Actual	Variance
REVENUES			
Property Taxes	\$ 58,324,577	\$ 59,969,744	\$ 1,645,167
Interest	840,000	1,123,099	283,099
Tuition Charges	5,735	15,103	9,368
State Revenues	48,807,897	50,982,988	2,175,091
Federal Revenues	-	-	-
Food Services	-	-	-
Student Activities	-	863,426	863,426
Other	561,500	172,237	(389,263)
	<u>108,539,709</u>	<u>113,126,597</u>	<u>4,586,888</u>
EXPENDITURES			
Current:			
Instruction and Instructional - Related Services	57,514,141	60,657,374	(3,143,233)
Support Services	40,832,955	38,037,588	2,795,367
Non-Instructional Services	152,710	179,038	(26,328)
Other	-	-	-
Capital Outlay	<u>260,060</u>	<u>777,676</u>	<u>(517,616)</u>
	<u>98,759,866</u>	<u>99,651,676</u>	<u>(891,810)</u>
Excess (Deficiency) of Revenue Over Expenditures	9,779,843	13,474,921	3,695,078
OTHER FINANCING (USES) SOURCES			
Transfers, Net	(9,440,536)	(11,814,057)	(2,373,521)
Compensation for Disposal of Capital Assets	-	19,692	19,692
Total other Financing Uses	<u>(9,440,536)</u>	<u>(11,794,365)</u>	<u>(2,353,829)</u>
Net Change in Fund Balances	<u>\$ 339,307</u>	<u>\$ 1,680,556</u>	<u>\$ 1,341,249</u>

See accompanying notes.

Special Revenue Fund

Budget	Actual	Variance
\$ -	\$ -	\$ -
80,000	68,007	(11,993)
-	-	-
104,195	125,349	21,154
13,153,402	13,582,592	429,190
1,297,187	1,171,371	(125,816)
-	-	-
125	7,975	7,850
<u>14,634,909</u>	<u>14,955,294</u>	<u>320,385</u>
5,886,345	5,686,481	199,864
3,291,208	2,374,922	916,286
6,208,924	6,724,504	(515,580)
71,847	18,816	53,031
147,482	433,791	(286,309)
<u>15,605,806</u>	<u>15,238,514</u>	<u>367,292</u>
(970,897)	(283,220)	687,677
-	-	-
<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (970,897)</u>	<u>\$ (283,220)</u>	<u>\$ 687,677</u>

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 1: Summary of Significant Accounting Policies

Reporting Entity

The Conway School District No. 1 (the "District") operates schools for students in grades Pre-Kindergarten through twelfth in Conway, 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 and state revenues and related expenditures restricted for specific educational programs or 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:

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 including the following:

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

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA), which is an Other Comprehensive Basis of Accounting (OCBOA). This basis of accounting is prescribed by Arkansas Code Ann. 10-4-413(c), as provided in Act 2205 of 2005 and amended by Act 867 of 2019, which requires that financial statements be presented on a fund basis with, at 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” page 9).

Capital Assets

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

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

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

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Property Taxes

Property taxes are levied in November of each year 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 does not have any nonspendable fund balance at year end.
2. **Restricted Fund Balance** - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally, or through enabling legislation. The Restricted for State Programs and Federal Programs balances reflect amounts restricted for specific state and federal programs as mandated by respective state and federal grant or funding agreements.
3. **Committed Fund Balance** - includes amounts that can be used only for 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 Assigned for Capital Projects balance reflects amounts that are assigned 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.

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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 restricted, 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, then 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 to Actual - General and Special Revenue Funds - Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds - Regulatory Basis. Additionally, the District routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes. Budgetary perspective differences are not considered to be significant because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

Cash and Investments

The District's cash consists of cash on hand and 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 deposits be secured by general obligation bonds of the United States; bonds, notes, debentures, or other obligations issued by an agency of the United States Government; bonds of the State of Arkansas; or by bonds of a political subdivision which has never defaulted on any of its obligations.

State statutes permit the Districts to invest in general obligation bonds of the United States; in bonds, notes, debentures, or other obligations issued by an agency of the United States Government; in general obligations bonds of the State of Arkansas; or in bank certificates of deposit. The District generally only purchases investments that have remaining maturities of one year or less when purchased.

Interfund Receivables and Payables

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

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Stabilization Arrangements

The District 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.

Subsequent Events

The District has evaluated all subsequent events for potential recognition and disclosure through March 6, 2026, the date these financial statements were available to be issued.

Note 2: Cash Deposits with Financial Institutions

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

	Carrying Value	Bank Balance
Insured (FDIC)	\$ 325,290	\$ 325,290
Collateralized - Held by Pledging Bank or Pledging Bank's Trust Department in the District's Name	25,520,354	28,480,854
Total Deposits	\$ 25,845,644	\$ 28,806,144

Note 3: Accounts Receivable

The accounts receivable balance of \$1,006,931 is comprised of the following at June 30, 2025:

	General Fund	Special Revenue Fund	Other Governmental Funds	Fiduciary Fund Types	Total
Federal Assistance	\$ -	\$ 834,970	\$ -	\$ -	\$ 834,970
State Assistance	171,961	-	-	-	171,961
	\$ 171,961	\$ 834,970	\$ -	\$ -	\$ 1,006,931

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

Note 4: Commitments

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, 2025</u>	<u>Maturities to June 30, 2025</u>
09/01/2019	02/01/2040	2.63-5.00%	\$ 37,245,000	\$ 35,220,000	\$ 2,025,000
09/01/2019	02/01/2034	2.50-5.00%	32,330,000	22,190,000	10,140,000
06/01/2012	02/01/2034	1.35-3.20%	1,495,000	765,000	730,000
10/01/2019	02/01/2033	2.50-5.00%	15,255,000	9,755,000	5,500,000
11/01/2021	12/01/2040	2.00-5.00%	35,580,000	32,075,000	3,505,000
01/01/2022	12/01/2040	0.40-2.00%	7,070,000	6,000,000	1,070,000
06/01/2020	02/01/2040	1.00-1.90%	9,285,000	7,550,000	1,735,000
01/01/2021	02/01/2040	1.00-2.00%	11,085,000	9,710,000	1,375,000
Totals			<u>\$ 149,345,000</u>	<u>\$ 123,265,000</u>	<u>\$ 26,080,000</u>

Changes in long-term debt:

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2025</u>
Bonds payable	<u>\$ 129,980,000</u>	<u>\$ -</u>	<u>\$ 6,715,000</u>	<u>\$ 123,265,000</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>Total</u>
2026	\$ 6,950,000	\$ 2,831,448	\$ 9,781,448
2027	7,205,000	2,577,475	9,782,475
2028	7,350,000	2,389,745	9,739,745
2029	7,500,000	2,243,389	9,743,389
2030	7,635,000	2,092,319	9,727,319
2031 - 2035	40,770,000	8,031,896	48,801,896
2036 - 2040	<u>45,855,000</u>	<u>3,215,085</u>	<u>49,070,085</u>
Totals	<u>\$ 123,265,000</u>	<u>\$ 23,381,357</u>	<u>\$ 146,646,357</u>

Operating Leases

The District has entered into agreements to lease office equipment. Rental expense was \$169,599 for the year ended June 30, 2025. The minimum rental commitments under these noncancelable operating leases at June 30, 2025 are as follows:

2026	\$ 86,742
2027	86,742
2028	<u>86,742</u>
	<u>\$ 260,226</u>

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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.

Note 5: Interfund Transfers

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

	<u>Other Governmental Funds</u>			
	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Debt Service Fund</u>	<u>Total</u>
Transfer In	\$ 149,406,090	\$ 1,979,866	\$ 9,834,191	\$ 161,220,147
Transfer Out	<u>(161,220,147)</u>	<u>-</u>	<u>-</u>	<u>(161,220,147)</u>
	<u>\$ (11,814,057)</u>	<u>\$ 1,979,866</u>	<u>\$ 9,834,191</u>	<u>\$ -</u>

Note 6: Accounts Payable

The accounts payable balance in the governmental funds consist of the following at June 30, 2025:

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Other Governmental Funds</u>	<u>Fiduciary Fund Types</u>	<u>Total</u>
Vendor Payables	<u>\$ 1,200,462</u>	<u>\$ 24,059</u>	<u>\$ 61,203</u>	<u>\$ 4,119</u>	<u>\$ 1,289,843</u>

Note 7: 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 nonteachers hired prior to July 1, 1989. ATRS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit and contribution provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at www.arts.gov.

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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 employees for the years ended June 30, 2025, 2024, and 2023 were \$10,621,577; \$10,508,745; and \$10,444,661, respectively.

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, 2024 (actuarial valuation date and measurement date) was \$81,357,325.

Note 8: Risk Management

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

The District carries commercial insurance for coverage of buildings' contents, board liability, theft, student accidents, and bus drivers and business trip accidental death and dismemberment. Settled claims 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 self-insurance program, a public entity risk pool currently operating a common risk management and insurance program for its members. The fund was created by members to formulate, develop and administer a program of self-funding for the fund's membership, obtain lower costs for Workmen's Compensation Coverage and develop a comprehensive loss control program. The District pays an annual premium to the fund for its Workmen's Compensation Coverage. The Pool's governing agreement specifies that the Pool will be self-sustaining through member premiums and will reissue through commercial carriers for claims in excess of specified stop loss amounts.

Note 9: Litigation and Contingencies

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

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.

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.

CONWAY SCHOOL DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2025

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 10: On-Behalf Payments

During the year ended June 30, 2025, health insurance premiums of \$2,528,848 were paid by the Arkansas Department of Education to the Arkansas Employee Benefits Division on behalf of District employees.

OTHER REPORTS AND SUPPLEMENTARY INFORMATION

CONWAY SCHOOL DISTRICT NO. 1

SCHEDULE OF CAPITAL ASSETS

FOR THE YEAR ENDED JUNE 30, 2025

(Unaudited)

Nondepreciable Capital Assets:

Land	\$ 6,330,335
Total Nondepreciable Capital Assets	<u>6,330,335</u>

Depreciable Capital Assets:

Buildings	203,691,128
Improvements/Infrastructure	6,167,360
Equipment	<u>28,077,086</u>
Total Depreciable Capital Assets	<u>237,935,574</u>

Less Accumulated Depreciation for:

Buildings	76,228,106
Improvements/Infrastructure	3,891,909
Equipment	<u>19,287,193</u>
Total Accumulated Depreciation	<u>99,407,208</u>

Total Depreciable Capital Assets, Net	<u>138,528,366</u>
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Capital Assets, Net	<u><u>\$ 144,858,702</u></u>
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS***

To the Board of Education
Conway School District No. 1
Conway, 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 Conway School District No. 1 (the "District"), as of and for the year ended June 30, 2025, 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 6, 2026.

We issued an adverse opinion because the District prepared the financial statements in conformity with accounting practices prescribed by the Arkansas Code Ann. §10-4-413(c) provided in Act 2201 of 2005, which differ from accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determined, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2025, and the respective changes in financial position thereof, and the budgetary results for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Board of Education
Page Two

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001 that we consider to be a material weakness.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District’s regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2025-001.

Conway School District No.1's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the finding identified in our audit and described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 6, 2026

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Conway 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, 2025. 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 Conway School District No.1 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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 of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

To the Board of Education

Page Three

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 have not been identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HCJ CPAs & Advisors, PLLC

HCJ CPAs & Advisors, PLLC
Little Rock, Arkansas
March 6, 2026

CONWAY SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2025

<u>Federal Grant/Pass-Through Grantor/Program Title</u>	<u>Pass Through Entity Identifying Number</u>	<u>Assistance Listing Number</u>	<u>Federal Expenditures</u>
CHILD NUTRITION CLUSTER			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
School Breakfast Program - Cash Assistance	2301	10.553	\$ 1,182,781
National School Lunch Program - Cash Assistance	2301	10.555	3,215,228
National School Lunch Program - Non-Cash Assistance	2301	10.555	184,469
Performance Based Reimbursement	2301	10.555	94,621
Fresh Fruit and Vegetable Program	2301	10.582	25,731
Fresh Fruit and Vegetable Program - Non-Cash Assistance	2301	10.582	401,405
Total Child Nutrition Cluster			<u>5,104,235</u>
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	2301	84.027	2,675,927
Title VI - Part B - Special Education - Preschool Grants	2301	84.173	117,337
Total Special Education Cluster (IDEA)			<u>2,793,264</u>
CCDF CLUSTER			
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Human Services:			
Child Care and Development Block Grant	2301	93.575	76,068
Passed through Arkansas Department of Education:			
Child Care and Development Block Grant	2301	93.575	395,667
Total CCDF Cluster			<u>471,735</u>
OTHER PROGRAMS:			
<u>U.S. Department of Agriculture</u>			
Passed through Arkansas Department of Education:			
Local Food for Schools Cooperative Agreement Program	2301	10.185	129,677
<u>U.S. Department of Education</u>			
Passed through Arkansas Department of Education:			
Title I, Part A - Grants to Local Education Agencies	2301	84.010	2,210,270
Title I, Part A - School Improvement Implementation Grant - Year 1	2301	84.010	3,134
Title I, Part A - School Improvement Implementation Grant - Year 2	2301	84.010	50,325
Title I, Part D - Subpart 2 - Neglected & Delinquent Children	2301	84.010	63,203
Title III - English Language Acquisition	2301	84.365	63,416
Title II - Part A - Improving Teacher Quality State Grants	2301	84.367	440,856
Comprehensive Literacy Development	2301	84.371	24,007
Student Support and Academic Enrichment - Student Enhancement	2301	84.424A	221,961
Student Support and Academic Enrichment - Stronger Connections	2301	84.424F	209,676
COVID-19 Education Stabilization Fund - ESSER III	2301	84.425U	460,916
Total Passed through Arkansas Department of Education			<u>3,747,764</u>
Passed through Arkansas Department of Career Education:			
Career and Technical Education - Basic Grants to States (Perkins IV)	2301	84.048	141,817
Career and Technical Education - CTE Certification	2301	84.048	3,936
Total Passed through Arkansas Department of Career Education			<u>145,753</u>
Total U.S. Department of Education			<u>3,893,517</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Arkansas Department of Education:			
Preschool Development Grant Birth Through Five	2301	93.434	11,275
Total Other Programs			<u>4,034,469</u>
Total Expenditures of Federal Awards			<u>\$ 12,403,703</u>

CONWAY SCHOOL DISTRICT NO. 1
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2025

Notes to the Schedule of Expenditures of Federal Awards:

1. The Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal awards activity of the District and is presented on the regulatory basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principle, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements. The District did not elect to use the 10% de minimus indirect cost rate.
2. Medicaid reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$855,830 are not covered by the reporting requirements of the Uniform Guidance, and therefore, not included on the Schedule.
3. Reserve Officers' Training Corps reimbursements are defined as contracts for services and not federal awards, therefore, such reimbursements totaling \$146,788 are not covered by the reporting requirements of the Uniform Guidance.
4. Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Education.

CONWAY SCHOOL DISTRICT NO. 1

SCHEDULE OF STATE ASSISTANCE

YEAR ENDED JUNE 30, 2025

Arkansas Department of Education

State Foundation Funding	\$ 37,981,398
98% Uniform Rate of Tax Actual Collection Adjustment	338,666
NBCT Teacher Bonuses	116,518
Declining Enrollment Funding	323,274
LEARNS Teacher Minimum Salary	2,117,029
LEARNS Merit Incentive	562,350
GT Advanced Placement	47,500
Professional Development Funding	368,673
Professional Learning Grant	342,915
Progress Awards	99,709
Alternative Learning	451,448
LEP Allocation	255,468
Youth Shelters	10,588
Special Education - Catastrophic Occurrences	265,384
National School Lunch Student Funding	3,007,958
Hand Resident Treatment	384,833
Non-Hand Resident Treatment	394,137
Special Education Extended School Year	12,330
Arkansas Better Chance Program	1,021,000
Food Service State Matching	37,269
State Funded Copay for Reduced Meals	88,080
Child Supervision Extended School Year Funding	48,138
Childcare Block Grant	84,000
Special Education Early Intervention Day Treatment Centers	107,878
Early Childhood Special Education	303,729
School Safety Grant	378,233
Residential Center / Juvenile Detention	85,481
National School Lunch Match Grant	84,082
School Based Health	14,183
Computer Science Initiative Student Support Funding	2,400
Educator Comp Reform 2	400,050
Phone Free School Grant	127,200
Computer Science Bonus	2,453

49,864,354

Arkansas Department of Career Education

SVAC Funding	1,177,959
Computer Science Initiative	10,000

1,187,959

Arkansas Department of Corrections

Traditional Apprenticeship	56,024
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Total State Assistance \$ 51,108,337

CONWAY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

A. SUMMARY OF AUDITORS' RESULTS

1. Our report expresses an adverse opinion based on generally accepted accounting principles and an unmodified opinion based on the regulatory basis of accounting used in preparing the financial statements of Conway School District No. 1.

2. The independent auditors' 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 auditors' 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 auditors' report on compliance with requirements applicable to major federal awards was:

Unmodified Modified Adverse Disclaimed

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

Yes No

7. The Auditee's major programs were:

Cluster/Program	Assistance Listing Number(s)
• Children Nutrition Cluster	10.553, 10.555, 10.582

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

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

Yes No

CONWAY SCHOOL DISTRICT NO. 1
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2025

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

MATERIAL WEAKNESS

2025-001 Misuse of District Funds

Statement of Condition: Former employees in the Maintenance Department of the District misused District funds and resources for personal use. The misuse of District funds was discovered through an independent investigation performed by an attorney/investigator brought on by a whistleblower.

Criteria: Per Arkansas Constitution Article 14 § 2 and Arkansas Code § 6-20-2208(c) funds held by school districts must generally be used for school, not personal purposes. Per Arkansas Code § 6-21-110(b) public educational entities are prohibited from transferring any public property to school administrators, board members, or employees or members of their immediate family without adequate market value consideration.

Cause of Condition: One of the former employees was the Director of the Maintenance Department who approved of purchases requested from employees within the department. Thus, the control in place of Director approving appropriate purchases was circumvented by the former Director of the Maintenance Department.

Effect of Condition: The results of the independent investigation by the attorney/investigator was reported by the District to Arkansas Legislative Audit who has begun their own limited scope review of the Maintenance Department. That limited scope review is still on-going.

Recommendation: Implement controls requiring another appropriate approval on the purchase order from someone outside of department requesting the purchase and each purchase order should be labeled appropriately for the project to which it applies. We also recommend that all transportation purchases be moved to the Transportation Department.

Views of responsible officials and planned corrective actions: The District agrees with the finding and recommended controls have been put in place.

C. FINDINGS AND QUESTIONED COSTS - FEDERAL AWARDS AUDIT

None noted

D. PRIOR YEAR FINDINGS AND QUESTIONED COST

None noted



INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ARKANSAS STATE REQUIREMENTS

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

We have examined management's assertions that Conway School District No. 1 (the "District") substantially complied with the requirements of Arkansas Code Annotated 6-1-101 and the applicable laws and regulations including those listed in the accompanying schedule of statutes required to be addressed by the Arkansas Department of Education during the year ended June 30, 2025. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on management's assertions about the District's compliance based on our examination.

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

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

In our opinion, Conway School District No. 1 complied with the aforementioned requirements for the year ended June 30, 2025.

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 6, 2026

**CONWAY 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, 2025**

<u>DESCRIPTION</u>	<u>STATUTES</u>
Bidding & Purchasing Commodities	6-21-301 – 6-21-305; 6-13-628
Ethical Guidelines and Prohibitions	6-24-101 et seq.
Collateralization & Investment of Funds	6-20-222; 19-1-504
Deposit of Funds	19-8-104; 19-8-106
District Finances	
• School Debt	6-20-402
• District School Bonds	6-20-1201 – 6-20-1208; 6-20-1210
• Petty Cash	6-20-409
• Investment of Funds	19-1-504
Management of Schools	
• Board of Directors	6-13-608; 6-13-611 – 6-13-613; 6-13-617 – 6-13-620; 6-13-622
• 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.
Classified Employees	6-17-2201 et seq.; 6-17-2301 et seq.
School Elections	6-13-630; 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 et seq.
• Employment and Assignment	6-17-301 et seq.
• Teacher's Licensure/Background Checks	6-17-401 et seq.
• Teacher Contracts	6-17-801 et seq.
• Employee Sick Leave	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; 6-17-2401 et. seq.
Education Excellence Trust Fund	6-5-307
Use of Contractors, Improvement Contracts	22-9-201 – 22-9-205
Use of DM&O Millage	26-80-110
On Behalf Payments	The amounts of funds paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of District's employees

**CONWAY 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, 2025**

<u>DESCRIPTION</u>	<u>STATUTES</u>
Regulatory Basis of Accounting	10-4-413(c)
Real Estate and Personal Property Tax Appeals	26-35-802
School District Procurement Law	6-21-301 et. seq.; 19-11-206; 19-11-249
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
CARES Act (COVID-19) Education Funding	https://dese.ade.arkansas.gov/Offices/Federal-Programs/federal-programs/cares-act-crrsa-act-and-american-rescue-plan-arp-act
Charter Facilities Funding	6-23-908

**CONWAY SCHOOL DISTRICT NO. 1
SUPPLEMENTAL DATA SHEET AS REQUIRED BY ARKANSAS DEPARTMENT
OF HUMAN SERVICES AUDIT GUIDELINES
YEAR ENDED JUNE 30, 2025**

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: Conway School District No. 1 of Faulkner County
2. Entity's Address: 2220 Prince Street
Conway, AR 72034
3. Entity's FEIN: 71-6021200
4. Entity's Telephone Number: 501-450-4800
5. Name of Director: Jason Black, Superintendent
6. Name of Contact Person: Jason Black, Superintendent