

Texarkana Arkansas School District No. 7

Miller County, Arkansas

Regulatory Basis Financial Statements and Other Reports

June 30, 2025



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MILLER COUNTY, ARKANSAS
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Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT** **INDEPENDENT AUDITOR'S REPORT**

Texarkana Arkansas School District No. 7 and School Board Members
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Texarkana Arkansas School District No. 7 (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 as listed in the table of contents.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2025, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the accompanying financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2025, or the changes in financial position for the year then ended.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Supplementary Information

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

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis but does not include the regulatory basis financial statements, supplementary information, and our auditor’s report thereon. Our opinions on the regulatory basis financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 26, 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 control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
February 26, 2026
EDSD24725

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING
STANDARDS*

INDEPENDENT AUDITOR'S REPORT

Texarkana Arkansas School District No. 7 and School Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of each major governmental fund and the aggregate remaining fund information of the Texarkana Arkansas School District No. 7 (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 February 26, 2026. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2025, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

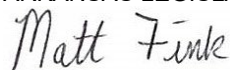
As part of obtaining reasonable assurance about whether the District's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state and federal laws and regulations, contracts, and grant agreements,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

We noted a certain matter that we reported to management of the District in a separate letter dated February 26, 2026.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
February 26, 2026

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
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Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITOR'S REPORT

Texarkana Arkansas School District No. 7 and School Board Members
Legislative Joint Auditing Committee

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited the Texarkana Arkansas School District No. 7's (the "District") compliance with the 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.

Qualified Opinion on AL 84.165A – Magnet Schools Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Magnet Schools Assistance for the year ended June 30, 2025.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.

Basis for Qualified and Unmodified Opinions

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 qualified and unmodified opinions 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.

Matter Giving Rise to Qualified Opinion on AL 84.165A – Magnet Schools Assistance

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding Assistance Listing No. 84.165A Magnet Schools Assistance as described in finding number 2025-001 for Cash Management.

Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

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

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

Report on Internal Control Over Compliance

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2025-001, to be a material weakness.

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.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the internal control over compliance finding identified in our compliance audit 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 compliance and, accordingly, we express no opinion on the response.

Purpose of This Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Matt Fink". The signature is written in a cursive, slightly slanted style.

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
February 26, 2026

Arkansas

Sen. Jim Petty
Senate Chair
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LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

MANAGEMENT LETTER

Texarkana Arkansas School District No. 7 and School Board Members
Legislative Joint Auditing Committee

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

The District initiated seven ACH payments totaling \$286,213 to fraudulent accounts between April and June 2025 after receiving emails to change vendor bank information, without properly verifying the authenticity of the change request. District personnel discovered the unauthorized withdrawals after a vendor contacted the District for non-payment. The District notified the financial institution, and one of the seven transactions totaling \$58,339 was recovered; however, the remaining \$227,874 could not be recovered.

This letter is intended solely for the information and use of the Legislative Joint Auditing Committee, the local school board and District management, state executive and oversight management, federal regulatory and oversight bodies, the federal awarding agencies and pass-through entities, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script that reads "Matt Fink".

Matt Fink, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
February 26, 2026

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2025

Exhibit A

	Governmental Funds			
	Major			Fiduciary Fund Types
	General	Special Revenue	Other Aggregate	
ASSETS				
Cash	\$ 8,145,197	\$ 879,626	\$ 2,924,521	\$ 173,581
Investments			8,000	10,000
Accounts receivable	4,838	1,549,219		
Due from other funds	8,621			
Deposit with paying agent			432,066	
Interest receivable	47,527			
TOTAL ASSETS	\$ 8,206,183	\$ 2,428,845	\$ 3,364,587	\$ 183,581
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 777,054	\$ 889,659	\$ 13,263	\$ 1,500
Due to other funds		8,621		
Advance deposit on bond issue			123,400	
Total Liabilities	777,054	898,280	136,663	1,500
Fund Balances:				
Nonspendable			440,066	10,000
Restricted	221,517	1,530,565	634	172,081
Assigned	425,717		2,787,224	
Unassigned	6,781,895			
Total Fund Balances	7,429,129	1,530,565	3,227,924	182,081
TOTAL LIABILITIES AND FUND BALANCES	\$ 8,206,183	\$ 2,428,845	\$ 3,364,587	\$ 183,581

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

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 21,230,354		
State assistance	23,203,138	\$ 16,748	
Federal assistance		11,634,009	
Activity revenues	438,197		
Meal sales		247,557	
Investment income	503,732		\$ 257
Other revenues	853,184		
TOTAL REVENUES	46,228,605	11,898,314	257
EXPENDITURES			
Regular programs	20,494,081	513,493	
Special education	2,141,305	1,002,844	
Career education programs	539,235	85,160	
Compensatory education programs	359,379	1,882,381	
Other instructional programs	1,137,011	47,886	
Student support services	1,608,164	590,112	
Instructional staff support services	2,402,976	3,055,669	
General administration support services	825,200	219,073	
School administration support services	2,290,844		
Central services support services	1,325,573	673,872	
Operation and maintenance of plant services	6,009,576	216,784	85,325
Student transportation services	1,775,746	158,760	
Other support services	61,315		
Food services operations		2,981,026	
Community services operations	52,168	21,816	
Facilities acquisition and construction services	192,827	417,417	107,072
Non-programmed costs		99,052	
Activity expenditures	400,437		
Debt Service:			
Principal retirement	117,373		1,345,000
Interest and fiscal charges	28,303		944,838
TOTAL EXPENDITURES	41,761,513	11,965,345	2,482,235
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	4,467,092	(67,031)	(2,481,978)
OTHER FINANCING SOURCES (USES)			
Transfers in			4,915,082
Transfers out	(4,915,082)		
Refund to grantor	(148,644)		
TOTAL OTHER FINANCING SOURCES (USES)	(5,063,726)		4,915,082
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(596,634)	(67,031)	2,433,104
FUND BALANCES - JULY 1	8,025,763	1,597,596	794,820
FUND BALANCES - JUNE 30	\$ 7,429,129	\$ 1,530,565	\$ 3,227,924

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

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 21,063,854	\$ 21,230,354	\$ 166,500			
State assistance	22,158,831	23,203,138	1,044,307	\$ 13,000	\$ 16,748	\$ 3,748
Federal assistance				13,898,183	11,634,009	(2,264,174)
Activity revenues	27,692	438,197	410,505			
Meal sales				218,250	247,557	29,307
Investment income	468,000	503,732	35,732			
Other revenues	133,000	853,184	720,184			
TOTAL REVENUES	43,851,377	46,228,605	2,377,228	14,129,433	11,898,314	(2,231,119)
EXPENDITURES						
Regular programs	20,635,634	20,494,081	141,553	1,038,048	513,493	524,555
Special education	2,561,400	2,141,305	420,095	905,732	1,002,844	(97,112)
Career education programs	544,194	539,235	4,959	102,200	85,160	17,040
Compensatory education programs	411,618	359,379	52,239	815,193	1,882,381	(1,067,188)
Other instructional programs	1,242,265	1,137,011	105,254		47,886	(47,886)
Student support services	1,846,091	1,608,164	237,927	757,810	590,112	167,698
Instructional staff support services	2,481,174	2,402,976	78,198	4,325,263	3,055,669	1,269,594
General administration support services	903,222	825,200	78,022	273,650	219,073	54,577
School administration support services	2,270,445	2,290,844	(20,399)			
Central services support services	1,113,424	1,325,573	(212,149)	348,751	673,872	(325,121)
Operation and maintenance of plant services	6,434,810	6,009,576	425,234	462,373	216,784	245,589
Student transportation services	1,872,808	1,775,746	97,062		158,760	(158,760)
Other support services	91,317	61,315	30,002			
Food services operations	30,000		30,000	3,078,144	2,981,026	97,118
Community services operations	68,650	52,168	16,482	45,458	21,816	23,642
Facilities acquisition and construction services	1,924	192,827	(190,903)	520,967	417,417	103,550
Non-programmed costs				253,019	99,052	153,967
Activity expenditures	37,287	400,437	(363,150)			
Debt Service:						
Principal retirement		117,373	(117,373)			
Interest and fiscal charges		28,303	(28,303)			
TOTAL EXPENDITURES	42,546,263	41,761,513	784,750	12,926,608	11,965,345	961,263

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 1,305,114	\$ 4,467,092	\$ 3,161,978	\$ 1,202,825	\$ (67,031)	\$ (1,269,856)
OTHER FINANCING SOURCES (USES)						
Transfers in	57,691,874		(57,691,874)			
Transfers out	(59,726,460)	(4,915,082)	54,811,378			
Refund to grantor		(148,644)	(148,644)			
TOTAL OTHER FINANCING SOURCES (USES)	(2,034,586)	(5,063,726)	(3,029,140)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(729,472)	(596,634)	132,838	1,202,825	(67,031)	(1,269,856)
FUND BALANCES - JULY 1	8,218,598	8,025,763	(192,835)	1,646,829	1,597,596	(49,233)
FUND BALANCES - JUNE 30	\$ 7,489,126	\$ 7,429,129	\$ (59,997)	\$ 2,849,654	\$ 1,530,565	\$ (1,319,089)

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

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a seven member group, is the level of government, which has responsibilities over all activities related to public elementary and secondary school education within the jurisdiction of the Texarkana Arkansas School District (District). There are no component units.

B. Description of Funds

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

General Fund - The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects, including the District's food services operations. The Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

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

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Debt Service Fund – The Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Permanent Fund – The Permanent Fund is used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs – that is, for the benefit of the government or its citizenry.

Fiduciary Fund types include the following:

Private-purpose Funds – Private-purpose funds are used to report all other arrangements under which principal and income benefit individuals, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c) and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types and other requirements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets, leases, and debt in the financial statements, inclusion of compensated absences and the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and financed purchases are reported as other financing sources. Changes in private-purpose funds will be reflected in the notes to financial statements.

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA, except for property taxes (see Note 1 F below).

E. Capital Assets

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

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	20
Buildings	50
Equipment	5-20

F. Property Taxes

Property taxes are levied (tax rates are established) in November of each year based on property assessment (real and personal) that occurred within a specific period of time beginning January 1 of the same year. Property taxes are collectible beginning the first business day of March of the year following the levy date and are considered delinquent after October 15 of the same calendar year.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Property Taxes (Continued)

Amendment no. 74 to the Arkansas Constitution established a uniform minimum property tax millage rate of 25 mills for maintenance and operation of public schools. Ark. Code Ann. § 26-80-101 provides the uniform rate of tax (URT) shall be assessed and collected in the same manner as other school property taxes, but the net revenues from the URT shall be remitted to the State Treasurer and distributed by the State to the county treasurer of each county for distribution to the school districts in that county. For reporting purposes, URT revenues are considered property taxes.

G. Interfund Receivables and Payables

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

H. Fund Balance Classifications

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

I. Fund Balance Classification Policies and Procedures

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

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

J. Stabilization Arrangements

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

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Minimum Fund Balance Policies

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

L. Budget and Budgetary Accounting

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

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

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

M. Encumbrances

The District does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost. The District's cash deposits at June 30, 2025, were as follows:

	Bank Balance
Insured (FDIC)	<u>\$ 12,527,933</u>

The above total deposits do not include cash of \$465,661 which was held in the Miller County Treasury and cash on hand of \$6,091. The above total deposits include certificates of deposit of \$18,000 reported as investments and classified as nonparticipating contracts.

The insured (FDIC) balances were comprised of funds placed through IntraFi Cash Service (ICS). ICS deposits are held in various banks which are insured by FDIC.

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2025, were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 4,384	
Federal assistance		\$ 1,549,219
Other	454	
Totals	<u>\$ 4,838</u>	<u>\$ 1,549,219</u>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2025, were comprised of the following:

Description	Governmental Funds			Fiduciary Fund Types
	Major		Other Aggregate	
	General	Special Revenue		
Vendor payables	\$ 774,078	\$ 889,659	\$ 13,263	\$ 1,500
Payroll withholdings and matching	2,976			
Totals	\$ 777,054	\$ 889,659	\$ 13,263	\$ 1,500

5: COMMITMENTS

The District was contractually obligated for the following at June 30, 2025:

A. Construction Contracts

Project Name	Completion Date	Contract Balance
Razorback Roof/High School HVAC	October 16, 2025	\$ 394,091
Arkansas High Energy Savings	March 1, 2026	1,522,425
Running Track Surfacing	November 30, 2025	186,045
Fairview Fire Alarm	August 31, 2025	119,952
Trice Fire Alarm	August 31, 2025	115,036

B. Leases (leases of nonfinancial assets with initial noncancelable lease terms in excess of one year)

General description of leases and leasing arrangements:

Lease agreement with Datamax executed on November 1, 2023, for copiers and printers at various schools within the District. The term of the lease is for 60 months with monthly payments of \$987.

Lease agreement with Wanrack, LLC executed on July 1, 2024, to provide broadband data connections. The term of the lease is for 48 months with monthly payments of \$1,889.

Lease agreement with Datamax executed on August 21, 2024, for copiers and printers at various schools within the District. The term of the lease is for 51 months with monthly payments of \$4,657.

Future minimum lease payments for the succeeding years:

Year Ended June 30,	Amount
2026	\$ 90,395
2027	90,395
2028	90,395
2029	54,556
Total	\$ 325,741

Lease payments were approximately \$110,479 for the year ended June 30, 2025.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

5: COMMITMENTS (Continued)

C. Long-term Debt Issued and Outstanding

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

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2025	Maturities To June 30, 2025
Bonds					
5/1/15	2/1/30	1 - 2.5%	\$ 2,330,000	\$ 620,000	\$ 1,710,000
9/1/16	2/1/30	1 - 1.8%	5,135,000	2,320,000	2,815,000
3/3/21	2/1/48	1 - 2.5%	44,535,000	43,745,000	790,000
Total Bonds			<u>52,000,000</u>	<u>46,685,000</u>	<u>5,315,000</u>
Direct Borrowings					
6/19/24	6/19/28	7.47%	<u>524,739</u>	<u>407,366</u>	<u>117,373</u>
Total Long-Term Debt			<u>\$ 52,524,739</u>	<u>\$ 47,092,366</u>	<u>\$ 5,432,373</u>

Changes in Long-term Debt

	Balance July 1, 2024	Issued	Retired	Balance June 30, 2025
Bonds payable	<u>\$ 48,030,000</u>		<u>\$ 1,345,000</u>	<u>\$ 46,685,000</u>
Direct Borrowings				
Financed purchase	<u>524,739</u>		<u>117,373</u>	<u>407,366</u>
Total Long-Term Debt	<u>\$ 48,554,739</u>	<u>\$ 0</u>	<u>\$ 1,462,373</u>	<u>\$ 47,092,366</u>

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2026	\$ 1,675,000	\$ 918,315	\$ 2,593,315	\$ 126,136	\$ 19,539	\$ 145,675
2027	1,705,000	886,923	2,591,923	140,615	5,061	145,676
2028	1,730,000	865,495	2,595,495	140,615	5,061	145,676
2029	1,750,000	843,335	2,593,335			
2030	1,775,000	818,585	2,593,585			
2031-2035	9,280,000	3,701,830	12,981,830			
2036-2040	10,130,000	2,846,184	12,976,184			
2041-2045	11,235,000	1,732,078	12,967,078			
2046-2048	7,405,000	369,375	7,774,375			
Totals	<u>\$ 46,685,000</u>	<u>\$ 12,982,120</u>	<u>\$ 59,667,120</u>	<u>\$ 407,366</u>	<u>\$ 29,661</u>	<u>\$ 437,027</u>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

5: COMMITMENTS (Continued)

C. Long-term Debt Issued and Outstanding (Continued)

Security for Debt Payments

Ark. Code Ann. § 6-20-1204 specifies procedures to be followed if a school district is delinquent in a payment to the paying agent for bonded debt. As additional security, any delinquent payment for bonded debt will be satisfied by the Division of Elementary and Secondary Education (DESE). Depending on the date of the bond issue, DESE will recover the full amount of any delinquency payment through the withholding of a school district's state funding or a direct payment from the school district. There were no delinquent bond payments incurred by the District during the audit period.

6: PLEDGED REVENUES

The District has pledged a portion of its property taxes to retire bonds of \$52,000,000 issued from May 1, 2015 to March 3, 2021. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$59,667,120, payable through February 1, 2048. Principal and interest paid for the current year and total property taxes pledged for debt service were \$2,287,605 and \$7,586,168, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 30.15 percent.

7: INTERFUND TRANSFERS

The District transferred \$4,915,082 from the general fund to the other aggregate funds for debt related payments of \$2,721,904 and future capital expenditures of \$2,193,178.

8: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 15% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2025, were \$4,336,839, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2024, (actuarial valuation date and measurement date) was \$35,989,248.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

9: CHANGES IN PRIVATE-PURPOSE FUNDS

ADDITIONS	
Donations	\$ 2,970
Interest	<u>1</u>
TOTAL ADDITIONS	<u>2,971</u>
DEDUCTIONS	
Scholarships	<u>21,000</u>
CHANGE IN FUND BALANCE	(18,029)
FUND BALANCE - JULY 1	<u>200,110</u>
FUND BALANCE - JUNE 30	<u>\$ 182,081</u>

10: PRIVATE PURPOSE FUNDS

The District's private purpose funds consist of an endowment of \$10,000 for homecoming expenses. This endowment is invested in a certificate of deposit which is classified as a nonparticipating contract. Other funds that comprise the private purpose funds are generated by private donations and interest income and can be used for scholarship awards and expenses related to the FFA program.

11: RISK MANAGEMENT

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

The District carries commercial insurance for board liability and student accident.

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.

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

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

The District participates in the Arkansas Public School 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.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

11: RISK MANAGEMENT (Continued)

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

12: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$1,029,690 for the year ended June 30, 2025.

13: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Nonspendable:			
Deposit with paying agent			\$ 432,066
Permanent fund principal			8,000
Total Nonspendable			<u>440,066</u>
Restricted for:			
Enhanced student achievement funding	\$ 29,038		
English-language learners	26,737		
Professional development	48,696		
Magnet schools assistance program		\$ 606,279	
Child nutrition programs		369,803	
Child care and development		87,303	
Medical services		341,132	
Special education programs	35,284	94,095	
Title I programs		12	
Education stabilization fund (COVID-19)		600	
Other purposes	81,762	31,341	634
Total Restricted	<u>221,517</u>	<u>1,530,565</u>	<u>634</u>
Assigned to:			
Capital projects			2,787,224
Student activities	425,717		
Total Assigned	<u>425,717</u>		<u>2,787,224</u>
Unassigned	<u>6,781,895</u>		
Totals	<u>\$7,429,129</u>	<u>\$1,530,565</u>	<u>\$3,227,924</u>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025

14: SUBSEQUENT EVENTS

On July 1, 2025, the District issued construction bonds of \$6,170,000, for the purpose of constructing and equipping school facilities. The bonds will mature on February 1, 2048, and will bear interest of 4 to 4.5%. On June 9, 2025, the District received immediately available funds of \$123,400 for this bond issue, representing a good faith deposit, which is reflected in the accompanying financial statements as the liability advance deposit on bond issue.

On December 17, 2025, the District executed the following construction contracts with Nabholz Construction Corporation as the construction manager: Razorback Gym Renovation with a guaranteed maximum price of \$1,220,461 and Fairview Elementary Additions with a guaranteed maximum price of \$4,697,267.

15: PERMANENT FUND

In a previous year, the District was endowed \$8,000 by the Buhrman Trust which is being maintained in a certificate of deposit classified as a nonparticipating contract. The interest proceeds from the certificate of deposit are to be used for improvements made to the Buhrman Baseball Field.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF CAPITAL ASSETS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

Schedule 1

	Balance June 30, 2025
Nondepreciable capital assets:	
Land	\$ 1,574,874
Depreciable capital assets:	
Buildings	64,228,628
Improvements/infrastructure	25,236,789
Equipment	17,178,006
Total depreciable capital assets	106,643,423
Less accumulated depreciation for:	
Buildings	24,876,362
Improvements/infrastructure	9,674,806
Equipment	8,213,838
Total accumulated depreciation	42,765,006
Total depreciable capital assets, net	63,878,417
Capital assets, net	\$ 65,453,291

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
CHILD NUTRITION CLUSTER				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	4605		\$ 543,410
National School Lunch Program (Note 5)	10.555	Direct		79,966
Arkansas Department of Education - National School Lunch Program	10.555	4605		1,594,053
Arkansas Department of Education - National School Lunch Program (Note 6)	10.555	4605000		84,209
Total for National School Lunch Program				<u>1,758,228</u>
Total U. S. Department of Agriculture				<u>2,301,638</u>
TOTAL CHILD NUTRITION CLUSTER				<u>2,301,638</u>
SPECIAL EDUCATION CLUSTER (IDEA)				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	4605		1,316,644
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	4605		75,295
Total U. S. Department of Education				<u>1,391,939</u>
TOTAL SPECIAL EDUCATION CLUSTER (IDEA)				<u>1,391,939</u>
OTHER PROGRAMS				
<u>U. S. Department of Defense</u>				
ROTC (Note 7)	12.ARJROTCA-25	Direct		15,272
Total U. S. Department of Defense				<u>15,272</u>
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	4605		2,436,966
Arkansas Department of Career Education - Career and Technical Education - Basic Grants to States	84.048A	4605		92,526
Magnet Schools Assistance	84.165A	Direct		1,125,917
Arkansas Department of Education - English Language Acquisition State Grants	84.365A	4605		6,757
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	4605		340,352
Arkansas Department of Education - Comprehensive Literacy Development	84.371C	4605		30,331
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	4605		244,031
Arkansas Department of Education - Stronger Connections Grant	84.424F	4605		78,931
Total for Student Support and Academic Enrichment Program				<u>322,962</u>
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	4605		2,616,733
Total U. S. Department of Education				<u>6,972,544</u>

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2025

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
Arkansas Department of Education - Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	4605		\$ 244
Total U. S. Department of Health and Human Services				<u>244</u>
TOTAL OTHER PROGRAMS				<u>6,988,060</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 10,681,637</u>

The accompanying notes are an integral part of this schedule.

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Note 1: Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of Texarkana Arkansas School District No. 7 (District) under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: The District has elected not to use the 10% or 15% de minimis indirect cost rates allowed under the Uniform Guidance.
- Note 4: During the year ended June 30, 2025, the District received Medicaid funding of \$138,842 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.
- Note 5: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 6: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Education.
- Note 7: The Federal Assistance Listing Number was not available. An alternative identifying number was utilized.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Schedule 3

SECTION I - SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Types of auditor's reports issued on whether the financial statements audited were prepared in accordance with:

Generally accepted accounting principles (GAAP) - adverse
Regulatory basis - unmodified

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major federal programs:

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

Type of auditor's report issued on compliance for major federal programs: unmodified for all major programs except for Magnet Schools Assistance, which was qualified

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

AL Number(s)	Name of Federal Program or Cluster
84.027A and 84.173A	Special Education Cluster (IDEA)
84.010A	Title I Grants to Local Educational Agencies
84.165A	Magnet Schools Assistance
84.367A	Supporting Effective Instruction State Grants

Dollar threshold used to distinguish between type A and type B programs:	\$	750,000
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Auditee qualified as low-risk auditee?	<input type="checkbox"/>	yes	<input checked="" type="checkbox"/>	no
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SECTION II - FINANCIAL STATEMENT FINDINGS

No matters were reported.

TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2025

Schedule 3

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

MATERIAL WEAKNESS

U.S. DEPARTMENT OF EDUCATION
MAGNET SCHOOLS ASSISTANCE - AL NUMBER 84.165A
AUDIT PERIOD - YEAR ENDED JUNE 30, 2025

2025-001. Cash Management

Criteria or specific requirement: 2 CFR § 200.305 requires that for non-Federal entities other than states, payment methods must minimize the time elapsing between the transfer of funds from the United States Treasury or the pass-through entity and the disbursement by the non-Federal entity whether the payment is made by electronic funds transfer, or issuance or redemption of checks, warrants, or payment by other means. In addition, interest earned on federal funds up to \$500 per year may be retained by the non-Federal entity for administrative expenses. Any additional interest earned on Federal advance payments deposited in interest-bearing accounts must be returned annually to the Department of Health and Human Services Payment Management System.

Condition: On March 21, 2025, the District made a drawdown of Magnet Schools Assistance Program (MSAP) funds totaling \$804,310, which consisted of reimbursements of \$62,794 and advance payment of \$741,516. From March 21, 2025 through June 30, 2025, the District incurred expenditures of \$321,608 while also drawing down additional funds of \$87,216 and \$99,155 on April 30, 2025, and May 30, 2025, respectively. This resulted in significant time elapsing between the drawdown of funds and the disbursement of the funds by the District. At June 30, 2025, the District had \$606,279 of excess federal award funds on hand.

Cause: Lack of internal controls in place surrounding the drawdown of funds.

Effect or potential effect: The failure to properly monitor drawdowns and limit the time between drawdown and disbursement can result in program non-compliance and loss of program funds. In addition, excess drawdowns can lead to interest earned on federal advance payments, which must be returned in excess of \$500 per year.

Questioned costs: None

Context: An examination of three of six cash drawdowns and supporting documentation revealed excess funds drawn, because the District did not adjust future draws or return excess funds.

Identification as a repeat finding: No

Recommendation: The District should implement internal control processes and monitoring for MSAP cash drawdowns and ensure drawdowns are timed with the District's immediate cash requirements.

Views of responsible officials: The District has implemented an internal control process that requires the review and approval of detailed expenditure reports and G5 drawdown amounts prior to submission. The review process includes the Director of the Magnet Program, Finance Coordinator, Executive Director of School Leadership, and the Business Manager to ensure accuracy, compliance, and proper authorization before completion.



Texarkana Arkansas School District No. 7
Miller County, Arkansas
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2025

Financial Statement Findings

No matters were reported.

Federal Award Findings and Questions Costs

U.S. Department of Education
Passed Through Arkansas Department of Education
COVID-19 Elementary and Secondary School Emergency Relief Fund

2024 Finding 2024-001: Equipment and Real Property Management
AL Number 84.425D

Condition: We were unable to verify 3 of 24 Education Stabilization Fund equipment items selected for sighting because serial numbers were not included in property records, and the equipment items did not have any other identification numbers attached. The cost of the items was \$4,428.

Current Status: Corrective action was taken. The district developed written fixed/capital asset procedures that requires all equipment over the capitalization threshold to include serial numbers in property records and be affixed with a unique asset identification tag.

U.S. Department of Education
Magnet Schools Assistance

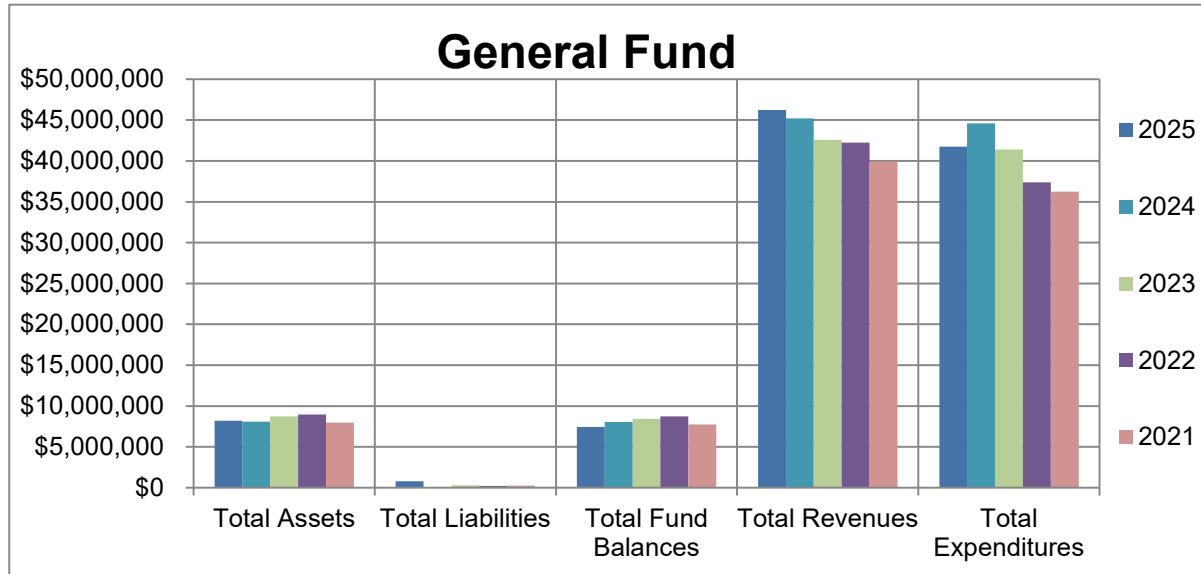
2024 Finding 2024-002: Equipment and Real Property Management
AL Number 84.165A

Condition: The District could not account for 2 of 25 Magnet School Assistance equipment items purchased in previous years costing \$3,383.

Current Status: Corrective action was taken. The district developed written fixed/capital asset procedures that requires that all equipment over the capitalization threshold to include serial numbers in property records and be affixed with a unique asset identification tag. We have conducted a physical inventory of equipment. As part of this process, we recorded serial numbers for all applicable items, affixed asset tags to untagged equipment, and recorded proper disposal of assets.

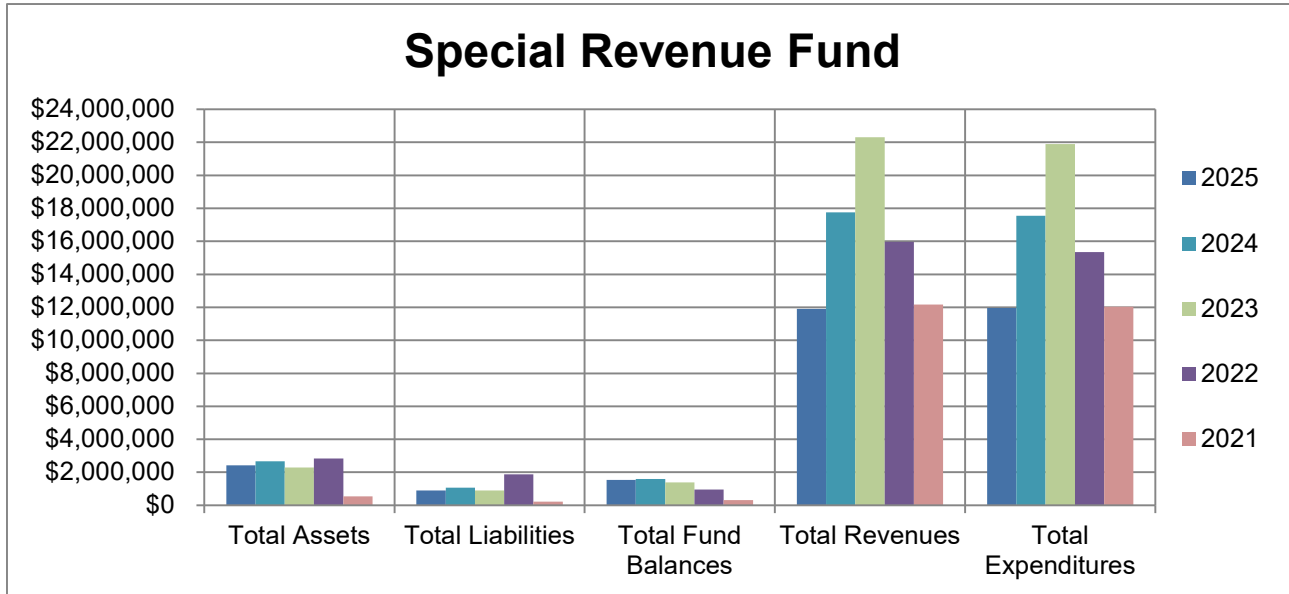
TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

<u>General Fund</u>	Year Ended June 30,				
	2025	2024	2023	2022	2021
Total Assets	\$ 8,206,183	\$ 8,101,008	\$ 8,723,174	\$ 8,948,043	\$ 7,984,191
Total Liabilities	777,054	75,245	298,684	223,439	247,657
Total Fund Balances	7,429,129	8,025,763	8,424,490	8,724,604	7,736,534
Total Revenues	46,228,605	45,194,376	42,590,616	42,240,957	39,933,059
Total Expenditures	41,761,513	44,600,934	41,387,233	37,370,941	36,251,720
Total Other Financing Sources (Uses)	(5,063,726)	(992,169)	(1,503,497)	(3,881,946)	(4,647,203)



TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

Special Revenue Fund	Year Ended June 30,				
	2025	2024	2023	2022	2021
Total Assets	\$ 2,428,845	\$ 2,660,986	\$ 2,294,337	\$ 2,837,702	\$ 532,852
Total Liabilities	898,280	1,063,390	899,615	1,883,177	215,911
Total Fund Balances	1,530,565	1,597,596	1,394,722	954,525	316,941
Total Revenues	11,898,314	17,754,523	22,300,225	15,958,697	12,164,058
Total Expenditures	11,965,345	17,551,649	21,897,269	15,347,080	12,026,724
Total Other Financing Sources (Uses)			37,241	25,967	(1,057)



TEXARKANA ARKANSAS SCHOOL DISTRICT NO. 7
MILLER COUNTY, ARKANSAS
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2025
(Unaudited)

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2025	2024	2023	2022	2021
Total Assets	\$ 3,364,587	\$ 902,418	\$ 1,012,296	\$ 2,862,401	\$ 1,702,766
Total Liabilities	136,663	107,598	15,627	836	335,768
Total Fund Balances	3,227,924	794,820	996,669	2,861,565	1,366,998
Total Revenues	257	198,201	116	20	3,106,284
Total Expenditures	2,482,235	2,065,222	3,363,931	2,505,984	16,969,354
Total Other Financing Sources (Uses)	4,915,082	1,665,172	1,498,919	4,000,531	5,452,082

