

# **Horatio School District No. 55**

**Sevier County, Arkansas**

## **Regulatory Basis Financial Statements and Other Reports**

**June 30, 2023**



HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
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# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
House Vice Chair

**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

## **LEGISLATIVE JOINT AUDITING COMMITTEE** **ARKANSAS LEGISLATIVE AUDIT**

### **INDEPENDENT AUDITOR'S REPORT**

Horatio School District No. 55 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 Horatio School District No. 55 (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements as listed in the table of contents.

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

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2023, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

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

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

##### ***Basis for Opinions***

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

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

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

### ***Responsibilities of Management for the Financial Statements***

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

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

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

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

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

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

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

### ***Supplementary Information***

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

### ***Other Information***

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Roger A. Norman, JD, CPA, CFE, CFF  
Legislative Auditor

Little Rock, Arkansas  
March 6, 2024  
EDSD35223

# Arkansas

**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



**Rep. Jimmy Gazaway**  
House Chair  
**Rep. Richard Womack**  
House Vice Chair

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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

Horatio School District No. 55 and School Board Members  
Legislative Joint Auditing Committee

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of each major governmental fund and the aggregate remaining fund information of the Horatio School District No. 55 (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's regulatory basis financial statements, and have issued our report thereon dated March 6, 2024. We issued an adverse opinion because the District prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the District as of June 30, 2023, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

### **Report on Internal Control Over Financial Reporting**

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's 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 March 6, 2024.

### **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

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  
March 6, 2024



**Sen. David Wallace**  
Senate Chair  
**Sen. John Payton**  
Senate Vice Chair



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**Roger A. Norman, JD, CPA, CFE, CFF**  
Legislative Auditor

**LEGISLATIVE JOINT AUDITING COMMITTEE**  
**ARKANSAS LEGISLATIVE AUDIT**

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

INDEPENDENT AUDITOR'S REPORT

Horatio School District No. 55 and School Board Members  
Legislative Joint Auditing Committee

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

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

We have audited the Horatio School District No. 55's (the "District") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

***Responsibilities of Management for Compliance***

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



## **Auditor's Responsibilities for the Audit of Compliance**

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

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

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

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

## **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

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

ARKANSAS LEGISLATIVE AUDIT



Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
March 6, 2024

# Arkansas

**Sen. David Wallace**  
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Legislative Auditor

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### MANAGEMENT LETTER

Horatio School District No. 55 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.

During our examination of payroll records, we noted that employment contracts for 9 of the 10 contracted employees tested were not signed by the Board President and Board Secretary, as required for a contract to be valid. Upon further examination, we determined the only contract signed in fiscal year 2023 was the Superintendent's contract.

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

ARKANSAS LEGISLATIVE AUDIT

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

Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
March 6, 2024

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2023

Exhibit A

	Governmental Funds			
	Major			Fiduciary
	General	Special Revenue	Other Aggregate	Fund Types
ASSETS				
Cash	\$ 966,009	\$ 18,195	\$ 605,089	\$ 34,525
Investments	381,695			61,956
Accounts receivable	58,228	107,958	35,892	
Due from other funds	500			
Deposit with paying agent	159,444			
<b>TOTAL ASSETS</b>	<b>\$ 1,565,876</b>	<b>\$ 126,153</b>	<b>\$ 640,981</b>	<b>\$ 96,481</b>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 74,008	\$ 13,100		
Due to other funds		500		
Total Liabilities	74,008	13,600		
Fund Balances:				
Nonspendable	159,444			\$ 61,956
Restricted	463,132	112,553	\$ 35,892	34,525
Assigned	153,415		605,089	
Unassigned	715,877			
Total Fund Balances	1,491,868	112,553	640,981	96,481
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,565,876</b>	<b>\$ 126,153</b>	<b>\$ 640,981</b>	<b>\$ 96,481</b>

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

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
GOVERNMENTAL FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

	Major		Other
	General	Special Revenue	Aggregate
REVENUES			
Property taxes (including property tax relief trust distribution)	\$ 1,860,174		
State assistance	5,469,838	\$ 2,692	\$ 35,892
Federal assistance		2,567,990	45,714
Activity revenues	231,226		
Meal sales		115,432	
Investment income	25,173		983
Other revenues	221,309	17,335	
TOTAL REVENUES	7,807,720	2,703,449	82,589
EXPENDITURES			
Regular programs	2,843,764	472,250	
Special education	368,763	57,147	
Career education programs	412,586	24,530	
Compensatory education programs	90,706	190,187	
Other instructional programs	282,537	29,353	
Student support services	245,995	273,640	
Instructional staff support services	395,354	142,392	
General administration support services	257,091	57,408	
School administration support services	377,094	28,332	
Central services support services	107,583	6,133	
Operation and maintenance of plant services	912,968	468,970	42,500
Student transportation services	379,020	215,015	
Other support services	15,653		
Food services operations		722,645	
Community services operations		6,674	
Facilities acquisition and construction services	183,000	1,760	
Non-programmed costs		8,509	
Activity expenditures	225,283		
Debt Service:			
Principal retirement	41,342	229,540	355,000
Interest and fiscal charges	9,445		84,656
Net debt issuance costs			84,643
TOTAL EXPENDITURES	7,148,184	2,934,485	566,799
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	659,536	(231,036)	(484,210)
OTHER FINANCING SOURCES (USES)			
Transfers in			463,237
Transfers out	(463,237)		
Federal grant revenue passed through from a cooperative		38,065	
Proceeds from refunding bond issue			2,545,000
Payments to refunding bond escrow agents			(2,455,635)
Refund to grantor	(24,562)		
TOTAL OTHER FINANCING SOURCES (USES)	(487,799)	38,065	552,602
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	171,737	(192,971)	68,392
FUND BALANCES - JULY 1	1,320,131	305,524	572,589
FUND BALANCES - JUNE 30	\$ 1,491,868	\$ 112,553	\$ 640,981

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

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
Property taxes (including property tax relief trust distribution)	\$ 1,761,778	\$ 1,860,174	\$ 98,396			
State assistance	5,292,783	5,469,838	177,055		\$ 2,692	\$ 2,692
Federal assistance				\$ 2,509,642	2,567,990	58,348
Activity revenues		231,226	231,226			
Meal sales				75,000	115,432	40,432
Investment income	10,000	25,173	15,173			
Other revenues	235,569	221,309	(14,260)		17,335	17,335
<b>TOTAL REVENUES</b>	<b>7,300,130</b>	<b>7,807,720</b>	<b>507,590</b>	<b>2,584,642</b>	<b>2,703,449</b>	<b>118,807</b>
EXPENDITURES						
Regular programs	2,874,202	2,843,764	30,438	623,316	472,250	151,066
Special education	366,453	368,763	(2,310)	10,530	57,147	(46,617)
Career education programs	332,974	412,586	(79,612)		24,530	(24,530)
Compensatory education programs	90,429	90,706	(277)	181,857	190,187	(8,330)
Other instructional programs	309,566	282,537	27,029	8,701	29,353	(20,652)
Student support services	235,586	245,995	(10,409)	144,177	273,640	(129,463)
Instructional staff support services	384,024	395,354	(11,330)	207,735	142,392	65,343
General administration support services	200,149	257,091	(56,942)	60,134	57,408	2,726
School administration support services	365,164	377,094	(11,930)	12,266	28,332	(16,066)
Central services support services	106,292	107,583	(1,291)		6,133	(6,133)
Operation and maintenance of plant services	794,308	912,968	(118,660)	91,692	468,970	(377,278)
Student transportation services	371,743	379,020	(7,277)	294,199	215,015	79,184
Other support services	26,500	15,653	10,847			
Food services operations				594,458	722,645	(128,187)
Community services operations				6,585	6,674	(89)
Facilities acquisition and construction services	66,420	183,000	(116,580)	343,804	1,760	342,044
Non-programmed costs	24,561		24,561		8,509	(8,509)
Activity expenditures		225,283	(225,283)			
Debt Service:						
Principal retirement	229,562	41,342	188,220		229,540	(229,540)
Interest and fiscal charges	7,962	9,445	(1,483)			
<b>TOTAL EXPENDITURES</b>	<b>6,785,895</b>	<b>7,148,184</b>	<b>(362,289)</b>	<b>2,579,454</b>	<b>2,934,485</b>	<b>(355,031)</b>

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -  
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ 514,235	\$ 659,536	\$ 145,301	\$ 5,188	\$ (231,036)	\$ (236,224)
OTHER FINANCING SOURCES (USES)						
Transfers in	8,922,203		(8,922,203)			
Transfers out	(9,451,351)	(463,237)	8,988,114			
Federal grant revenue passed through from a cooperative					38,065	38,065
Refund to grantor		(24,562)	(24,562)			
TOTAL OTHER FINANCING SOURCES (USES)	(529,148)	(487,799)	41,349		38,065	38,065
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(14,913)	171,737	186,650	5,188	(192,971)	(198,159)
FUND BALANCES - JULY 1	1,426,172	1,320,131	(106,041)	130,918	305,524	174,606
FUND BALANCES - JUNE 30	\$ 1,411,259	\$ 1,491,868	\$ 80,609	\$ 136,106	\$ 112,553	\$ (23,553)

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

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

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

**B. Description of Funds**

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

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

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

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

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

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

Fiduciary Fund types include the following:

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.

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

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. Measurement Focus and Basis of Accounting (Continued)**

The 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 \$1,500 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
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.

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.



HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**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. 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.

**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.

**K. Minimum Fund Balance Policies**

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

**L. 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.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. Fund Balance Classification Policies and Procedures (Continued)**

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.

**M. Encumbrances**

The District does not utilize encumbrance accounting.

**2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS**

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

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the District's agent, pledging bank or pledging bank's trust department or agent in the District's name	<u>1,567,469</u>	<u>2,036,310</u>
Total Deposits	<u>\$ 2,067,469</u>	<u>\$ 2,536,310</u>

The above total deposits include certificates of deposit of \$443,651 reported as investments and classified as nonparticipating contracts.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**3: ACCOUNTS RECEIVABLE**

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
State assistance	\$ 10,755		\$ 35,892
Federal assistance		\$ 107,958	
Other	47,473		
Totals	<u>\$ 58,228</u>	<u>\$ 107,958</u>	<u>\$ 35,892</u>

**4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 73,732	\$ 13,100
Payroll withholdings and matching	276	
Totals	<u>\$ 74,008</u>	<u>\$ 13,100</u>

**5: COMMITMENTS**

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

A. Construction Contract

Project Name	Completion Date	Contract Balance
Football and softball field lighting	September 1, 2023	\$ 130,600

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**5: COMMITMENTS (Continued)**

**B. Long-term Debt Issued and Outstanding**

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

<u>Date of Issue</u>	<u>Date of Final Maturity</u>	<u>Rate of Interest</u>	<u>Amount Authorized and Issued</u>	<u>Debt Outstanding June 30, 2023</u>	<u>Maturities To June 30, 2023</u>
<u>Bonds</u>					
11/1/22	2/1/52	3.25 - 4.1%	\$ 2,545,000	\$ 2,505,000	\$ 40,000
<u>Direct Borrowings</u>					
6/19/19	5/1/24	4.95%	93,687	18,737	74,950
2/25/14	2/25/24	2.97%	130,500	14,837	115,663
12/5/17	12/5/27	3.4%	200,000	108,339	91,661
5/14/21	7/15/23	0%	478,331	159,444	318,887
Total Direct Borrowings			902,518	301,357	601,161
Total Long-Term Debt			<u>\$ 3,447,518</u>	<u>\$ 2,806,357</u>	<u>\$ 641,161</u>

**Changes in Long-term Debt**

	<u>Balance July 1, 2022</u>	<u>Issued</u>	<u>Retired</u>	<u>Balance June 30, 2023</u>
Bonds payable	\$2,735,000	\$ 2,545,000	\$ 2,775,000 *	\$ 2,505,000
<u>Direct Borrowings</u>				
Certificate of indebtedness	55,408		36,671	18,737
Postdated warrants	157,164		33,988	123,176
Financed purchases	359,667		200,223	159,444
Total Direct Borrowings	572,239		270,882	301,357
Total Long-Term Debt	<u>\$3,307,239</u>	<u>\$ 2,545,000</u>	<u>\$ 3,045,882</u>	<u>\$ 2,806,357</u>

\* Includes \$2,420,000 early retirement of debt – See Note 6.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**5: COMMITMENTS (Continued)**

Future Principal and Interest Payments

Year Ended June 30,	Bonds			Direct Borrowings		
	Principal	Interest	Total	Principal	Interest	Total
2024	\$ 50,000	\$ 96,975	\$ 146,975	\$ 213,261	\$ 5,055	\$ 218,316
2025	50,000	95,350	145,350	20,932	2,995	23,927
2026	55,000	93,725	148,725	21,644	2,284	23,928
2027	55,000	91,938	146,938	22,380	1,548	23,928
2028	55,000	90,150	145,150	23,140	787	23,927
2029-2033	315,000	419,600	734,600			
2034-2038	380,000	356,300	736,300			
2039-2043	460,000	276,519	736,519			
2044-2048	555,000	177,450	732,450			
2049-2052	530,000	55,350	585,350			
Totals	<u>\$ 2,505,000</u>	<u>\$ 1,753,357</u>	<u>\$ 4,258,357</u>	<u>\$ 301,357</u>	<u>\$ 12,669</u>	<u>\$ 314,026</u>

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: DEBT REFUNDING**

On November 1, 2022, the District issued refunding bonds of \$2,545,000 with interest rates of 3.25 to 4.1 percent to refund \$2,420,000 of outstanding bonds dated August 5, 2010 and October 1, 2010. The interest rates of the bonds refunded were 1 to 5.2 percent. Net bond proceeds of \$2,455,635 were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. These bonds were called on December 1, 2022. The remaining proceeds of \$4,722 (after payment of \$84,643 net bond issuance costs) will be utilized for subsequent debt payments. The refunding bond issue restructured and extended the District's debt obligations from fiscal year 2030 to fiscal year 2052.

**7: PLEDGED REVENUES**

The District has pledged a portion of its property taxes to retire bonds of \$2,545,000 issued on November 1, 2022. The bonds were issued for various capital projects. Total principal and interest remaining on the bonds is \$4,258,357, payable through February 1, 2052. Principal and interest paid for the current year and total property taxes pledged for debt service were \$438,743 and \$803,257, respectively. The percentage of property taxes pledged for the current year for principal and interest payments was 54.62 percent.

**8: INTERFUND TRANSFERS**

The District transferred \$463,237 from the general fund to the other aggregate funds for debt related payments of \$388,237 and future capital expenditures of \$75,000.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**9: RETIREMENT PLANS**

Arkansas Teacher Retirement System

Plan Description

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

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 7% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 15% of covered salaries. The District's contributions to ATRS for the year ended June 30, 2023, were \$746,702, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2022, (actuarial valuation date and measurement date) was \$7,712,008.

Arkansas Public Employees Retirement System

Plan Description

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

Funding Policy

APERS has contributory and noncontributory plans. Contributory members are required by State law to contribute 5.25% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate for school districts is 4% of covered salaries. The District's contributions to APERS for the year ended June 30, 2023, were \$894, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the District's proportionate share of the collective net pension liability. The District's proportionate share of the collective net pension liability at June 30, 2022, (actuarial valuation date and measurement date) was \$7,137.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**10: CHANGES IN PRIVATE-PURPOSE FUNDS**

ADDITIONS	
Donations	\$ 1,272
Interest	<u>1,305</u>
 TOTAL ADDITIONS	 <u>2,577</u>
DEDUCTIONS	
Scholarships	<u>5,625</u>
 CHANGE IN FUND BALANCE	 (3,048)
 FUND BALANCE - JULY 1	 <u>99,529</u>
 FUND BALANCE - JUNE 30	 <u>\$ 96,481</u>

The District maintains ten scholarship funds which were endowed by various parties. The scholarships are funded by donations and interest earned on investments. Scholarship recipients are selected by committees in accordance with stipulations set forth by the endowing parties. The scholarship funds include the following:

1. The Bill Dyer Memorial Scholarship is awarded to a student planning a career in an agriculture related field or who is planning to attend trade school.
2. The Nicky Fenton Memorial Scholarship is awarded to a student athlete.
3. The Scott Pickering Memorial Scholarship is awarded to a student planning a career in an agriculture related field.
4. The Charlotte Kostka Memorial Scholarship is awarded to a student pursuing an education in English, journalism, or education.
5. The Shirley Litchford Memorial Scholarship is awarded to a special needs student planning to attend college.
6. The Robert France Memorial Scholarship is awarded to a student planning to attend college.
7. The Wesley Huddleston Memorial Scholarship is awarded to a student athlete planning to attend Cossatot Community College of the University of Arkansas.
8. The Austin Terrell Bracket Memorial Scholarship is awarded to a student planning to attend college.
9. The Daniel Gonzales Memorial Scholarship is awarded to a student planning to attend college.
10. The Drew Griffin Memorial Scholarship is awarded to a student planning to attend college.

The endowed portion of \$61,956 is invested in certificates of deposit classified as nonparticipating contracts.

**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, student accident, and business trip accidental death and dismemberment.

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.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

**11: RISK MANAGEMENT (Continued)**

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

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

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

**12: ON-BEHALF PAYMENTS**

The allocation of the health insurance premiums paid by the Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the District's employees, totaled \$168,404 for the year ended June 30, 2023.



HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2023

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

Description	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
<b>Fund Balances:</b>			
<b>Nonspendable:</b>			
Deposit with paying agent	<u>\$ 159,444</u>		
<b>Restricted for:</b>			
Alternative learning environment	19,271		
Enhanced student achievement funding	156,273		
English-language learners	76,171		
Professional development	16,535		
Capital projects			\$ 35,892
Child nutrition programs		\$ 50,277	
Medical services		60,665	
Special education programs	129,817	1,611	
Other purposes	65,065		
Total Restricted	<u>463,132</u>	<u>112,553</u>	<u>35,892</u>
<b>Assigned to:</b>			
Capital projects			605,089
Student activities	153,415		
Total Assigned	<u>153,415</u>		<u>605,089</u>
<b>Unassigned</b>	<u>715,877</u>		
<b>Totals</b>	<u><u>\$1,491,868</u></u>	<u><u>\$ 112,553</u></u>	<u><u>\$ 640,981</u></u>

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
SCHEDULE OF CAPITAL ASSETS  
FOR THE YEAR ENDED JUNE 30, 2023  
(Unaudited)

Schedule 1

	Balance June 30, 2023
Nondepreciable capital assets:	
Land	\$ 291,228
Construction in progress	183,000
Total nondepreciable capital assets	<u>474,228</u>
Depreciable capital assets:	
Buildings	17,888,730
Improvements/infrastructure	2,568,833
Equipment	935,857
Total depreciable capital assets	<u>21,393,420</u>
Less accumulated depreciation for:	
Buildings	4,765,957
Improvements/infrastructure	453,003
Equipment	1,746,860
Total accumulated depreciation	<u>6,965,820</u>
Total depreciable capital assets, net	<u>14,427,600</u>
Capital assets, net	<u><u>\$ 14,901,828</u></u>

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<b>CHILD NUTRITION CLUSTER</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Education - School Breakfast Program	10.553	6703		\$ 132,137
National School Lunch Program (Note 5)	10.555			19,240
Arkansas Department of Education - National School Lunch Program	10.555	6703		393,808
Arkansas Department of Human Services - National School Lunch Program (Note 6)	10.555	6703000		21,724
Total for National School Lunch Program				434,772
Arkansas Department of Education - Fresh Fruit and Vegetable Program	10.582	6703		16,180
Total U. S. Department of Agriculture				583,089
<b>TOTAL CHILD NUTRITION CLUSTER</b>				583,089
<b>SPECIAL EDUCATION CLUSTER (IDEA)</b>				
<u>U. S. Department of Education</u>				
Arkansas Department of Education - Special Education - Grants to States	84.027A	6703		181,488
Arkansas Department of Education - COVID-19 American Rescue Plan - Special Education Grants to States	84.027X	6703		6,235
Arkansas Department of Education - Special Education - Preschool Grants	84.173A	6703		3,809
Total U. S. Department of Education				191,532
<b>TOTAL SPECIAL EDUCATION CLUSTER (IDEA)</b>				191,532
<b>OTHER PROGRAMS</b>				
<u>U. S. Department of Agriculture</u>				
Arkansas Department of Agriculture - Specialty Crop Block Grant Program - Farm Bill	10.170	6703		500
Total U. S. Department of Agriculture				500
<u>Federal Communications Commission</u>				
Emergency Connectivity Fund Program- COVID-19	32.009			95,244
Total Federal Communications Commission				95,244
<u>U. S. Department of Education</u>				
Arkansas Department of Education - COVID-19 - Elementary and Secondary School Emergency Relief Fund	84.425D	6703		116,326
Arkansas Department of Education - COVID-19 - American Rescue Plan - Elementary and Secondary School Emergency Relief Fund	84.425U	6703		1,362,310
Total Education Stabilization Fund				1,478,636
Arkansas Department of Education - Title I Grants to Local Educational Agencies	84.010A	6703		275,004
Arkansas Department of Education - English Language Acquisition State Grants	84.365A	6703		8,229
Arkansas Department of Education - Supporting Effective Instruction State Grants	84.367A	6703		32,974
Arkansas Department of Education - Student Support and Academic Enrichment Program	84.424A	6703		9,531
Total U. S. Department of Education				1,804,374

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 2

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Provided to Subrecipients	Total Federal Expenditures
<u>U. S. Department of Health and Human Services</u>				
Arkansas Department of Education - Cooperative Agreements to Promote Adolescent Health Through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	6703		\$ 266
DeQueen-Mena Education Service Cooperative - COVID-19 Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	n/a		38,065
Total U. S. Department of Health and Human Services				<u>38,331</u>
TOTAL OTHER PROGRAMS				<u>1,938,449</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 0</u>	<u>\$ 2,713,070</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 Horatio School District No. 55 (District) under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position or changes in financial position of the District.
- Note 2: Summary of Significant Accounting Policies - Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.
- Note 3: The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.
- Note 4: During the year ended June 30, 2023, the District received Medicaid funding of \$46,746 from the Arkansas Department of Human Services. Such payments are not considered Federal awards expended, and therefore, are not included in the above Schedule.
- Note 5: Nonmonetary assistance is reported at the approximate value as provided by the U. S. Department of Defense through an agreement with the U. S. Department of Agriculture.
- Note 6: Nonmonetary assistance is reported at the approximate value as provided by the Arkansas Department of Human Services.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2023

Schedule 3

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**FINANCIAL STATEMENTS**

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

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

Internal control over financial reporting:

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

**FEDERAL AWARDS**

Internal control over major federal programs:

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

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

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

AL Number(s) 84.425D and 84.425U	Name of Federal Program or Cluster COVID-19 - Education Stabilization Fund
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Dollar threshold used to distinguish between type A and type B programs:	\$ <u>750,000</u>
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Auditee qualified as low-risk auditee?	<input checked="" type="text" value="X"/>	yes	<input type="text"/>	no
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**SECTION II - FINANCIAL STATEMENT FINDINGS**

No matters were reported.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

# ***HORATIO PUBLIC SCHOOLS***

**P O BOX 435  
HORATIO, ARKANSAS 71842  
870-832-1940 • FAX 870-832-4465**

Gayla Youngblood  
SUPERINTENDENT 870-832-1940  
Curtis Black  
HIGH SCHOOL PRINCIPAL 870-832-1900  
Jeana Ford  
ELEMENTARY PRINCIPAL 870-832-1930

Elizabeth Walker  
Jeffrey Irvan  
Pollyanna Smith  
Joe Jones  
Greg Litchford  
Gwen DeVasier  
Joshua Butler

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## **SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2023**

### **FINANCIAL STATEMENT FINDINGS**

There were no findings in the prior audit.

### **FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

U.S. DEPARTMENT OF EDUCATION  
PASSED THROUGH ARKANSAS DEPARTMENT OF EDUCATION  
COVID-19 ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF FUND - AL NUMBERS 84.425D and 84.425U

2022 – Finding 2022-001: Allowable Costs/Cost Principles

Condition: In our test of equipment purchases from the COVID-19 Education Stabilization Fund, we identified the purchase of two pieces of equipment with unit costs greater than the \$5,000 threshold for which the District did not obtain prior written approval from the Arkansas Division of Elementary and Secondary Education.

Current Status: Corrective action was taken. The Horatio School District got prior approval from the Department of Elementary and Secondary Education (DESE) for any purchase of equipment greater than the \$5,000 threshold as required by COM-22-047.

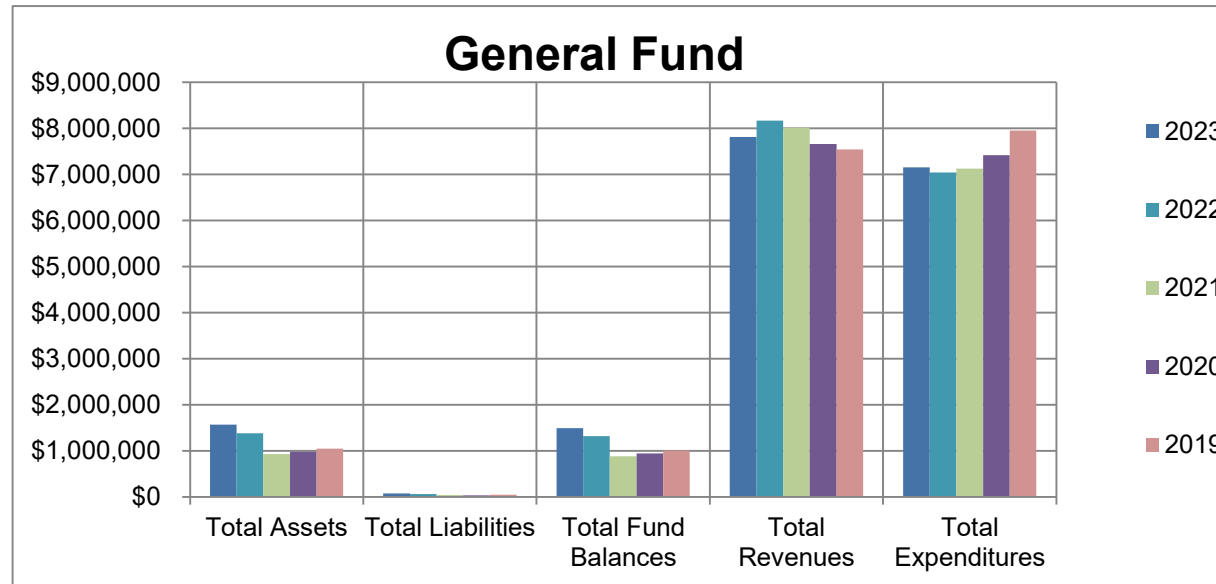
The Horatio School District has followed this requirement for any equipment greater than the \$5,000 threshold since this purchase of this equipment in July 2021.

The Horatio School District has received approval for all equipment greater than the \$5,000 threshold as required COM-22-047 since this purchase.

HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023  
(Unaudited)

Schedule 5

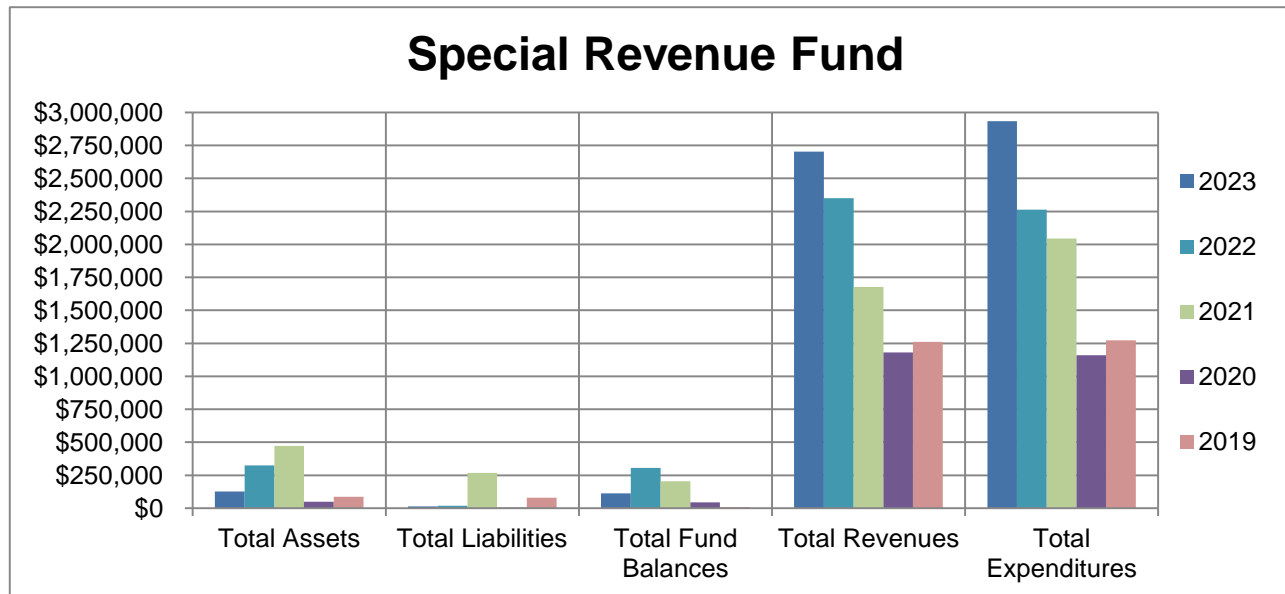
<b>General Fund</b>	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 1,565,876	\$ 1,377,638	\$ 924,561	\$ 978,087	\$ 1,046,990
Total Liabilities	74,008	57,507	42,029	33,705	43,717
Total Fund Balances	1,491,868	1,320,131	882,532	944,382	1,003,273
Total Revenues	7,807,720	8,164,271	8,008,139	7,656,557	7,537,099
Total Expenditures	7,148,184	7,036,252	7,124,340	7,415,684	7,948,784
Total Other Financing Sources (Uses)	(487,799)	(690,420)	(978,396)	(299,764)	151,340



HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023  
(Unaudited)

Schedule 5

<b><u>Special Revenue Fund</u></b>	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 126,153	\$ 323,774	\$ 473,464	\$ 48,340	\$ 87,341
Total Liabilities	13,600	18,250	268,223	3,548	78,395
Total Fund Balances	112,553	305,524	205,241	44,792	8,946
Total Revenues	2,703,449	2,350,572	1,676,634	1,180,038	1,261,485
Total Expenditures	2,934,485	2,262,573	2,044,394	1,159,642	1,272,040
Total Other Financing Sources (Uses)	38,065	12,284	528,209	15,450	3,142





HORATIO SCHOOL DISTRICT NO. 55  
SEVIER COUNTY, ARKANSAS  
SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2023  
(Unaudited)

Schedule 5

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2023	2022	2021	2020	2019
Total Assets	\$ 640,981	\$ 572,589	\$ 495,000		
Total Liabilities					
Total Fund Balances	640,981	572,589	495,000		
Total Revenues	82,589	43,064	105,308	\$ 115,272	\$ 206,444
Total Expenditures	566,799	655,895	538,826	542,672	676,331
Total Other Financing Sources (Uses)	552,602	690,420	928,518	427,400	469,887

