

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

[CLAconnect.com](https://www.CLAconnect.com)

THIS PAGE BLANK

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2022

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT	1
REQUIRED SUPPLEMENTARY INFORMATION	
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	11
STATEMENT OF ACTIVITIES	12
BALANCE SHEET – GOVERNMENTAL FUNDS	13
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	15
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	16
NOTES TO BASIC FINANCIAL STATEMENTS	17

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND DISTRICT PENSION CONTRIBUTIONS – COST SHARING PENSION PLANS	35
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	36
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – SPECIAL PROJECTS FUND	37
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	38

GOVERNMENT AUDITING STANDARDS REPORT

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH <i>GOVERNMENT AUDITING STANDARDS</i>	39
SCHEDULE OF FINDINGS AND RESPONSES	41

THIS PAGE BLANK

FINANCIAL SECTION

THIS PAGE BLANK



INDEPENDENT AUDITORS' REPORT

Governing Board
Pine Strawberry Elementary School District No. 12
Pine, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine Strawberry Elementary School District No. 12 (the District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pine Strawberry Elementary School District No. 12 as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 Auditors' 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.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective July 1, 2021, the District adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and 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.

Auditors' 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 auditors' 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the District's proportionate share of the net pension liability and contributions, and budgetary comparison information for the General Fund and major special revenue funds, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2023, 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 result 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.



CliftonLarsonAllen LLP

Phoenix, Arizona
August 15, 2023

THIS PAGE BLANK

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE BLANK

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

As management of the Pine Strawberry Elementary School District No. 12 (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,237,982 (net position).
- ◆ The District's total net position increased by \$409,300.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,460,338, an increase of \$446,787 from the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,066,079, or 89.2% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements present functions of the District that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are for public education.

The government-wide financial statements can be found immediately following this management discussion and analysis (MD&A).

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are governmental funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Projects Fund, both of which are considered to be major funds. Data from the other eight governmental funds are combined into a single, aggregated presentation.

An operating budget for expenditures is prepared and adopted by the District each fiscal year for the General, Special Revenue, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District also maintains an encumbrance accounting system as one technique of maintaining budgetary control. Encumbered amounts lapse at year-end. An annual budget of revenue from all sources is not prepared.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 – 34 of this report.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Required Supplementary Information

Governments have the option of presenting budgetary comparison schedules for the General Fund and major special revenue funds as part of the basic financial statements or as required supplementary information other than MD&A. The District has presented the budgetary comparison schedules, as well as information about the District's proportionate share of the net pension liability and contributions, as required supplementary information which can be found on pages 35 – 38.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,237,982 at the close of the most recent fiscal year.

Net Position

A summary of the District's Statement of Net Position is as follows:

**Table A-1
Net Position
June 30, 2022 and 2021**

	Governmental Activities		
	2022	2021	% Change
Assets:			
Current and Other Assets	\$ 5,186,256	\$ 3,425,051	51.4 %
Capital Assets	1,947,804	2,013,190	(3.2)
Total Assets	<u>7,134,060</u>	<u>5,438,241</u>	31.2
Deferred Outflows of Resources	603,538	572,135	5.5
Liabilities:			
Current Liabilities	78,441	191,722	(59.1)
Noncurrent Liabilities	2,187,730	2,920,404	(25.1)
Total Liabilities	<u>2,266,171</u>	<u>3,112,126</u>	(27.2)
Deferred Inflows of Resources	<u>2,233,445</u>	<u>69,568</u>	3110.4
Net Position			
Net Investment in Capital Assets	1,947,804	2,013,190	(3.2)
Restricted	485,041	372,361	30.3
Unrestricted	805,137	443,131	81.7
Total Net Position	<u>\$ 3,237,982</u>	<u>\$ 2,828,682</u>	14.5

At the end of the current fiscal year, the District reported positive balances in all the three categories of net position.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The District's net investment in capital assets decreased 3.2% largely due to depreciation on capital assets. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The restricted net position increase of 30.3% was largely due to an increase in teacher compensation program funds carried forward for future use and state and federal grants carried forward. The remaining balance of unrestricted net position may be used for unrestricted purposes and ongoing operations.

A summary of the District's Statement of Activities is as follows:

**Table A-2
Changes in Net Position
Year Ended June 30, 2022 and 2021**

	Governmental Activities		
	2022	2021	% Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 37,814	\$ 83,370	(54.6) %
Operating Grants and Contributions	701,829	446,697	57.1
General Revenues:			
Property Taxes	3,308,959	2,792,188	18.5
State Equalization and Additional State Aid	223,939	188,980	18.5
Investment Earnings	22,869	41,823	(45.3)
Other	84,019	52,202	60.9
Total Revenues	<u>4,379,429</u>	<u>3,605,260</u>	21.5
EXPENSES			
Instruction	2,544,080	2,597,188	(2.0)
Support Services:			
Students	73,291	49,171	49.1
Instructional Staff	61,087	106,573	(42.7)
General Administration	52,726	108,954	(51.6)
School Administration	198,454	192,222	3.2
Business and Other Support Services	259,654	244,349	6.3
Operation and Maintenance of Plant	447,872	446,416	0.3
Student Transportation	225,235	247,367	(8.9)
Other Support Services	3,668	-	100.0
Operation of Noninstructional Services	104,062	99,822	4.2
Total Expenses	<u>3,970,129</u>	<u>4,092,062</u>	(3.0)
CHANGE IN NET POSITION	409,300	(486,802)	184.1
Net Position - Beginning of Year	<u>2,828,682</u>	<u>3,315,484</u>	(14.7)
NET POSITION - END OF YEAR	<u>\$ 3,237,982</u>	<u>\$ 2,828,682</u>	14.5

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

Program revenues made up of charges for services, operating grants and contributions, and capital grants and contributions increased from the prior year by \$209,576. The increase was mainly due to an increase in grant funding offset by a decrease in tuition from other school districts received.

General revenues increased by \$564,593. The increase was mainly due to an increase in property taxes of \$516,771 due to an increase in the District's property tax levy.

District expenses decreased by \$121,933 during the fiscal year. The decrease was mainly due to a reduction in students of 12% offset by increased personnel costs as the District had 3 more full-time equivalent employees during the year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,460,338, an increase of \$446,787 from the prior year. Of this amount, \$3,066,079 constitutes unassigned fund balance, which is available for spending at the government's discretion.

At June 30, 2022, fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2020-21
General Fund	\$ 3,066,079	\$ 285,362
Special Projects Fund	59,095	118,519
Nonmajor Governmental Funds	335,164	42,906

The General Fund reported an increase of \$285,362. This increase was mainly due to an increase in the District's property tax levy. General Fund expenditures were comparable to the prior year.

The Special Projects Funds are largely reimbursable type grants; however, fund balance increased due to the collection of federal grant revenues that were received more than 60 days after prior fiscal year-end and recognized as revenue in the current year because it was not available at June 30, 2021.

The Nonmajor Governmental Funds increase of \$42,906 was due to unspent instructional improvement, classroom site, food service and other special revenue funds carried forward for future use.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not revise its budget during the current year. In Arizona, school districts build their original "adopted" budget based on the previous year's 100th day average daily membership. The District is allowed to increase or decrease its budget only for specific reasons set forth in the A.R.S. Actual General Fund expenditures were \$1,747,946 less than budget during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$1,947,804 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, and furniture, equipment, and vehicles.

The District reported capital asset acquisitions of \$126,600. The capital asset additions for the year consisted of an exterior painting project, sealcoating of the parking lot, and vehicle purchases. The capital asset additions were offset by \$191,986 in depreciation expense.

**Table A-4
Capital Assets (Net)
June 30, 2022 and 2021**

	Governmental Activities	
	2022	2021
Land	\$ 172,000	\$ 172,000
Land Improvements	421,289	424,010
Buildings and Improvements	943,281	1,018,104
Furniture, Equipment, and Vehicles	411,234	399,076
Total Capital Assets, Net	<u>\$ 1,947,804</u>	<u>\$ 2,013,190</u>

Additional information on the District's capital assets can be found in Note 3.A.3. of this report.

Long-Term Debt

The District did not have any outstanding bonds.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ State budget cuts.
- ◆ Decline in student enrollment.
- ◆ Poor economy.
- ◆ Attrition of staff.
- ◆ The impact of the COVID-19 pandemic.

All of these factors were considered in preparing the District's budget for the 2023 fiscal year.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2022**

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Business and Finance Department, Pine Strawberry Elementary School District No.12, 3868 N. Pine Creek Drive, Pine, Arizona 85544.

THIS PAGE BLANK

BASIC FINANCIAL STATEMENTS

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and Investments	\$ 3,154,708
Receivables:	
Property Taxes	61,005
Intergovernmental	424,793
Lease Receivable	1,461,728
Inventory	3,438
OPEB Assets	80,584
Capital Assets:	
Nondepreciable	172,000
Depreciable, Net	1,775,804
Total Assets	7,134,060
 DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB Related	603,538
 LIABILITIES	
Accounts Payable	18,681
Accrued Wages and Benefits	59,760
Long-Term Liabilities:	
Due Within One Year	18,709
Due in More Than One Year	2,169,021
Total Liabilities	2,266,171
 DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB Related	771,717
Lease Related	1,461,728
Total Deferred Inflows of Resources	2,233,445
 NET POSITION	
Net Investment in Capital Assets	1,947,804
Restricted for:	
OPEB Benefits	80,584
Teacher Compensation Programs	74,059
Instructional Improvement Programs	41,987
Federal and State Instruction Programs	69,293
Food Service	21,468
Noninstructional Programs	172,528
Other	4,717
Capital Projects	20,405
Unrestricted	805,137
Total Net Position	\$ 3,237,982

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 2,544,080	\$ 22,738	\$ 379,744	\$ -	\$ (2,141,598)
Support Services:					
Students	73,291	178	91,457	-	18,344
Instructional Staff	61,087	387	33,106	-	(27,594)
General Administration	52,726	538	3,397	-	(48,791)
School Administration	198,454	2,093	-	-	(196,361)
Business and Other Support Services	259,654	2,594	16,962	-	(240,098)
Operation and Maintenance of Plant	447,872	4,438	90,523	-	(352,911)
Student Transportation	225,235	1,605	7,537	-	(216,093)
Other Support Services	3,668	-	-	-	(3,668)
Operation of Noninstructional Services	104,062	3,243	79,103	-	(21,716)
Total Governmental Activities	<u>\$ 3,970,129</u>	<u>\$ 37,814</u>	<u>\$ 701,829</u>	<u>\$ -</u>	<u>(3,230,486)</u>
GENERAL REVENUES:					
					3,308,959
					Grants and Contributions Not Restricted to Specific Programs:
					State Equalization and Additional State Aid 223,939
					Investment Earnings 22,869
					Other 84,019
					<u>Total General Revenues 3,639,786</u>
CHANGE IN NET POSITION					
					409,300
					Net Position - Beginning of Year <u>2,828,682</u>
NET POSITION - END OF YEAR					
					<u>\$ 3,237,982</u>

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2022**

	General	Special Projects	Nonmajor Governmental Funds	Totals
Assets				
Cash and Investments	\$ 2,843,945	\$ -	\$ 310,763	\$ 3,154,708
Receivables:				
Property Taxes	61,005	-	-	61,005
Intergovernmental	99,531	304,233	21,029	424,793
Lease Receivable	1,461,728	-	-	1,461,728
Inventory	-	-	3,438	3,438
Due from Other Funds	227,140	-	-	227,140
Total Assets	<u>\$ 4,693,349</u>	<u>\$ 304,233</u>	<u>\$ 335,230</u>	<u>\$ 5,332,812</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 11,047	\$ 7,568	\$ 66	\$ 18,681
Accrued Wages and Benefits	59,528	232	-	59,760
Due to Other Funds	-	227,140	-	227,140
Total Liabilities	<u>70,575</u>	<u>234,940</u>	<u>66</u>	<u>305,581</u>
Deferred Inflows of Resources:				
Unavailable Revenue	94,967	10,198	-	105,165
Lease Related	1,461,728	-	-	1,461,728
Total Deferred Inflows of Resources	<u>1,556,695</u>	<u>10,198</u>	<u>-</u>	<u>1,566,893</u>
Fund Balances:				
Nonspendable	-	-	3,438	3,438
Restricted	-	59,095	331,726	390,821
Unassigned	3,066,079	-	-	3,066,079
Total Fund Balances	<u>3,066,079</u>	<u>59,095</u>	<u>335,164</u>	<u>3,460,338</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,693,349</u>	<u>\$ 304,233</u>	<u>\$ 335,230</u>	<u>\$ 5,332,812</u>

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total Fund Balances for Governmental Funds	\$ 3,460,338
Amounts reported for governmental activities in the statement of net position are different because:	
Property taxes and grants not collected within 60 days subsequent to fiscal year-end are reported as deferred inflows of resources in the governmental funds.	105,165
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	5,562,495
Less Accumulated Depreciation	<u>(3,614,691)</u>
Capital Assets Used in Governmental Activities	1,947,804
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources	603,538
Deferred Inflows of Resources	<u>(771,717)</u>
	(168,179)
Long-term assets reported for other postemployment benefits are not current financial resources and therefore are not reported in the governmental funds.	80,584
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Compensated Absences	(58,377)
Net Pension Liability	(2,125,980)
Net OPEB Liability	<u>(3,373)</u>
Total Net Position of Governmental Activities	<u><u>\$ 3,237,982</u></u>

See accompanying Notes to Basic Financial Statements.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General	Special Projects	Nonmajor Governmental Funds	Totals
REVENUES				
Property Taxes	\$ 3,294,243	\$ -	\$ -	\$ 3,294,243
Intergovernmental	291,918	498,486	210,264	1,000,668
Tuition	34,626	-	-	34,626
Food Service Sales	-	-	3,188	3,188
Contributions and Donations	9,271	-	33,214	42,485
Investment Earnings	20,597	28	2,244	22,869
Other	69,936	-	14,083	84,019
Total Revenues	<u>3,720,591</u>	<u>498,514</u>	<u>262,993</u>	<u>4,482,098</u>
EXPENDITURES				
Current:				
Instruction	2,257,731	163,063	149,227	2,570,021
Support Services:				
Students	17,629	58,368	-	75,997
Instructional Staff	38,463	21,128	506	60,097
General Administration	53,405	2,168	-	55,573
School Administration	207,836	-	-	207,836
Business and Other Support Services	257,597	10,825	-	268,422
Operations and Maintenance of Plant	440,723	57,772	-	498,495
Student Transportation	159,391	4,810	-	164,201
Other Support Services	-	3,668	-	3,668
Operation of Noninstructional Services	5,452	-	70,602	76,054
Capital Outlay:				
Facilities Acquisition	-	55,195	-	55,195
Total Expenditures	<u>3,438,227</u>	<u>376,997</u>	<u>220,335</u>	<u>4,035,559</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	282,364	121,517	42,658	446,539
Other Financing Sources (Uses):				
Transfers In	2,998	-	-	2,998
Transfers Out	-	(2,998)	-	(2,998)
Total Other Financing Sources (Uses)	<u>2,998</u>	<u>(2,998)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	285,362	118,519	42,658	446,539
Fund Balance - Beginning of Year	2,780,717	(59,424)	292,258	3,013,551
Increase in Inventories	-	-	248	248
FUND BALANCE - END OF YEAR	<u>\$ 3,066,079</u>	<u>\$ 59,095</u>	<u>\$ 335,164</u>	<u>\$ 3,460,338</u>

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances-Total Governmental Funds \$ 446,539

Amounts reported for governmental activities in the statement of activities are different because:

Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.

Tuition Revenue	(44,220)
Property Taxes	58,936
Grants in Aid	(117,385)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for Capital Assets	126,600
Less: Current Year Depreciation	(191,986)
Excess Depreciation Over Capital Expenditures	(65,386)

Governmental funds report District pension and OPEB contributions as expenditures when made. However, in the statement of activities, pension and OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions and OPEB, and the investment experience.

Pension and OPEB Contributions	275,677
Pension and OPEB Expense	(140,774)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net Increase in Compensated Absences	(4,335)
Change in Inventory Balances	248
	248

Change in Net Position of Governmental Activities \$ 409,300

THIS PAGE BLANK

NOTES TO BASIC FINANCIAL STATEMENTS

THIS PAGE BLANK

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Pine Strawberry Elementary School District No. 12 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's significant accounting policies follows.

For the year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*, as amended, which establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. As a result, the District's financial statements have been modified to reflect the recognition of leases receivable and deferred inflows of resources for leases that were previously classified as operating leases and recognized as inflows of resources based on the contract provisions.

A. Reporting Entity

The District is a special-purpose government that is governed by a separately elected governing body. The Governing Board is organized under §15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the activities of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, student transportation, food service, and maintenance of District facilities.

The membership of the Governing Board has the capacity for five members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance, and disposition of school property; the development and adoption of a school program; and the establishment, organization, and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The Gila County Treasurer collects taxes for the District, but it exercises no control over its expenditures.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Property taxes, intergovernmental grants and aid, tuition, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The District reports the following major governmental funds:

The *General Fund* is the District's primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. For budget purposes, it is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within four subsections titled regular education programs, special education programs, pupil transportation, and K-3 reading programs.

The *Special Projects Fund* is a special revenue fund that accounts for the revenues and expenditures of state and federally funded projects.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

When both restricted and unrestricted resources are available for use for governmental activities, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity

1. Deposits and Investments

A.R.S. require the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes.

A.R.S. authorize the District to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

Statute authorizes the District to deposit monies of Auxiliary Operations and Student Activities in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholdings accounts for taxes, employee insurance programs, and federal savings bonds. Some of these bank accounts may be interest bearing. Statutes require collateral of 102% of all deposits not covered by federal depository insurance.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

1. Deposits and Investments (Continued)

The State Board of Investment provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool and that pool's structure does not provide for shares.

2. Property Taxes Receivables

The Gila County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes on or before the third Monday in August, which become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however, according to case law, an enforceable legal claim to the asset does not arise.

Property tax receivables are reported at full value as they are considered 100% collectible due to Gila County attaching a lien against all amounts past due.

3. Intergovernmental Receivables

Intergovernmental receivables account for federal grants (\$311,951), state grants and aid (\$31,157) and amounts due from other Districts (\$81,685) earned, but not yet received at year-end.

4. Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

5. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first in/first out (FIFO) method. Inventories of governmental activities are recorded as expenses when consumed rather than when purchased in the government-wide statements and are recorded as an expenditure at the time of purchase in the fund financial statements.

6. Leases

As the lessor, the District recognizes lease receivables with an initial, individual value of \$5,000 or more. If there is no stated interest rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses its own estimated incremental borrowing rate as the discount rate to measure lease receivables. The District's estimated incremental borrowing rate is based on the District's risk-free rate.

7. Capital Assets

Capital assets, which include land, construction in progress, land improvements, buildings and improvements, furniture, equipment, and vehicles are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

Depreciation on all assets is provided on a straight-line basis over the following estimated useful lives:

Land Improvements	15 to 30 Years
Buildings and Improvements	20 to 50 Years
Furniture, Equipment, and Vehicles	3 to 15 Years

8. Deferred Outflows of Resources

The deferred outflows of resources reported in the government-wide financial statements, represent future outflows related to the difference between expected and actual experience on pension plan and other postemployment benefit investments, changes in the difference between the District's proportion of the pension and other postemployment benefit contribution and actual contributions and contributions subsequent to the measurement date.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

9. Compensated Absences

Compensated absences payable consists of vacation and sick leave earned by employees based on services already rendered.

Employees may accumulate 10-12 days of sick leave per fiscal year. The unused portion of such allowance shall accumulate to a maximum of 100 days. Amounts in excess of the 100 days that are unused at year-end are paid out to the employee at one-half of the then current daily substitute teacher pay rate. The 100-day maximum is then carried forward into the next fiscal year. An employee with three or more years of full-time service may request pre-retirement payment for unused compensated absences to be paid out at one half of the then current daily substitute teacher pay rate during the last three employment years with the District. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

10. Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Arizona State Retirement System (ASRS) and additions to/deductions from ASRS's fiduciary net position have been determined on the same basis as they are reported by ASRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

11. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2022 or within 60 days of fiscal year-end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The District also recognizes the acquisition of net assets that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are the net difference between projected and actual earnings on leases, pension and other postemployment benefit plan investments.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position or Equity (Continued)

12. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets is separately reported because capital assets make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

13. Fund Equity

Fund balances of the governmental funds are reported separately within classifications based on a hierarchy of the constraints placed on the use of those resources. The classifications are based on the relative strength of the constraints that control how the specific amounts can be spent. The classifications are nonspendable, restricted, committed, assigned, and unassigned fund balances.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories or are legally or contractually required to be maintained intact.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

The committed fund balances are self-imposed limitations approved by the District's Governing Board, which is the highest level of decision-making authority within the District. Only the District Governing Board can remove or change the constraints placed on committed fund balances. Fund balance commitments must be made or removed through formal board action at a public meeting prior to the end of the fiscal year.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The District Governing Board has not formally authorized an individual or group of individuals to make assignments of resources for a specific purpose.

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, it's the District's policy to use restricted fund balance first. For the disbursement of unrestricted fund balances, it is the District's policy to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The District adopts an annual operating budget for expenditures for all governmental fund types on essentially the same modified accrual basis of accounting used to record actual expenditures (See Notes to Required Supplementary Information for exceptions). The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year-end.

Budgetary control over expenditures is exercised at the fund level. However, the General Fund is budgeted within four subsections (see preceding description of General Fund), any of which may be overexpended with the prior approval of the Governing Board at a public meeting, providing the expenditures for all subsections do not exceed the General Fund's total budget.

The District did not adopt a revenue budget. The District is allowed to increase or decrease its budget only for specific reasons set forth in the Arizona Revised Statutes. The increase in budgeted expenditures was a result of corrections made in the budget funding calculations.

B. Stewardship, Compliance, and Accountability

1. Excess Expenditures Over Appropriations

The District reported an overexpenditure in the following fund:

	<u>Amount of Overexpenditure</u>
General Fund:	
Pupil Transportation Subsection	\$ 84,243

Cash was available to meet the overexpenditure listed above.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2022 consist of the following:

Deposits:	
Cash in Bank	\$ 78,772
Investments:	
Cash on Deposit with County Treasurer	3,075,936
Total Cash and Investments	<u>\$ 3,154,708</u>

Deposits

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District does not have a formal policy regarding custodial credit risk; however, the carrying value of cash in the bank was \$78,772 which was equal to the bank balance, all of which was covered by federal depository insurance.

Investments

At June 30, 2022, the District’s investments were reported at fair value. The District’s investment in the County Treasurer’s pool represents a proportionate interest in the pool’s portfolios.

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the counterparty’s failure, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have an investment policy with respect to custodial credit risk as all investments are deposited with the County Treasurer; however, the District’s portion is not identified with specific investments and is not subject to custodial credit risk.

Interest Rate Risk – The District does not have an investment policy with regard to interest rate risk. The District manages its exposure to declines in fair values by limiting its investments to one year or less.

Credit Risk – The District does not have an investment policy with respect to credit risk, however, the District’s investments are limited by state statute. In accordance with state statutes, the District only invests in the State or County Treasurer, U.S. government securities or state or local bonds. The District’s cash on deposit with the County Treasurer did not receive a quality credit rating from a national credit rating agency.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Concentration of Credit Risk – The District does not have an investment policy with respect to concentration credit risk. The District’s investments consist only of cash on deposit with County Treasurer.

2. Receivables

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements, property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of deferred inflows of resources are as follows:

	Unavailable
General Fund:	
Property Taxes	\$ 94,967
Special Projects:	
Grant Revenues	10,198
Total	\$ 105,165

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 172,000	\$ -	\$ -	\$ 172,000
Capital Assets, Being Depreciated:				
Land Improvements	1,309,125	37,336	-	1,346,461
Buildings and Building Improvements	3,285,856	37,502	-	3,323,358
Furniture, Equipment, and Vehicles	668,914	51,762	-	720,676
Total Capital Assets, Being Depreciated	<u>5,263,895</u>	<u>126,600</u>	<u>-</u>	<u>5,390,495</u>
Accumulated Depreciation for:				
Land Improvements	(885,115)	(40,057)	-	(925,172)
Buildings and Building Improvements	(2,267,752)	(112,325)	-	(2,380,077)
Furniture, Equipment, and Vehicles	(269,838)	(39,604)	-	(309,442)
Total Accumulated Depreciation	<u>(3,422,705)</u>	<u>(191,986)</u>	<u>-</u>	<u>(3,614,691)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,841,190</u>	<u>(65,386)</u>	<u>-</u>	<u>1,775,804</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,013,190</u>	<u>\$ (65,386)</u>	<u>\$ -</u>	<u>\$ 1,947,804</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Instruction	\$ 65,891
Support Services:	
Operations and Maintenance of Plant	94,386
Student Transportation	27,986
Operation of Noninstructional Services	3,723
Total	<u>\$ 191,986</u>

4. Lease Receivable

The District, acting as a lessor, leases land under a long-term, noncancelable lease agreement. The initial lease expired in January 2016 but provided for renewal option up to 15 years. The lease was subsequently amended to provide for additional renewal options up to 25 years. During the year ended June 30, 2022, the District recognized \$22,019 and \$11,254 in lease revenue and interest revenue, respectively, pursuant to this agreement. The lease includes a 3% increase in rent each year and interest is calculated at a rate of 1.5%.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

As of June 30, 2022, interfund receivables and payables were as follows:

Due From	Due to General Fund
Special Projects Fund	\$ 227,140

The above interfund receivables and payables are due to cash shortfalls at June 30, 2022. Cash was received subsequent to June 30, 2022 to repay the short-term borrowings.

Interfund transfers for the year ended June 30, 2022 consisted of the following:

Transfer From	Transfer In General Fund
Special Projects Fund	\$ 2,998

The transfer in was made to record the District's indirect costs on grants passed through the Arizona Department of Education.

C. Long-Term Obligations

Compensated absences, other postemployment benefits and pension benefits are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

Changes in long-term obligations for the year ended June 30, 2022 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 54,042	\$ 22,499	\$ (18,164)	\$ 58,377	\$ 18,709
Other Postemployment Benefits	12,684	-	(9,311)	3,373	-
Pension Liability	2,853,678	-	(727,698)	2,125,980	-
Governmental Activities Long-Term Debt	\$ 2,920,404	\$ 22,499	\$ (755,173)	\$ 2,187,730	\$ 18,709

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance Classification

The fund balance classifications of the governmental funds as of June 30, 2022 were as follows:

	General Fund	Special Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ 3,438	\$ 3,438
Restricted:				
Teacher Compensation Programs	-	-	74,059	74,059
Instructional Improvement Programs	-	-	41,987	41,987
Federal and State Instructional Programs	-	59,095	-	59,095
Food Service	-	-	18,030	18,030
Noninstructional Programs	-	-	159,601	159,601
Other	-	-	4,717	4,717
Capital Projects	-	-	20,405	20,405
Student Activities	-	-	12,927	12,927
Total Restricted	-	59,095	331,726	390,821
Unassigned	3,066,079	-	-	3,066,079
Total Fund Balances	<u>\$ 3,066,079</u>	<u>\$ 59,095</u>	<u>\$ 335,164</u>	<u>\$ 3,460,338</u>

NOTE 4 OTHER INFORMATION

A. 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's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is \$10 million per occurrence on a claims-made basis. Excess coverage is for an additional \$10 million per occurrence on a follow form, claims made basis. There have been no significant changes in coverage and settled claims have not exceeded coverage in any of the past three fiscal years.

The Arizona School Risk Retention Trust is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members' additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The District is also insured by a commercial insurance carrier for potential worker related accidents. There have been no significant changes in coverage and settled claims have not exceeded coverage in any of the past three fiscal years.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans

Cost-Sharing Pension Plans

The District contributes to the Arizona State Retirement System (ASRS) a cost-sharing multiple-employer defined benefit and other postemployment benefit plan. The plan is a component unit of the State of Arizona. At June 30, 2022, the District reported the following amounts related to its proportionate share of the ASRS pension and other postemployment benefit plans:

Statement of Net Position and Statement of Activities	Pension	Other Postemployment Benefits		Governmental Activities
		Health Benefit Subsidy	Long-Term Disability	
Net Pension and OPEB Liability (Asset)	\$ 2,125,980	\$ (80,584)	\$ 3,373	\$ 2,048,769
Deferred Outflows of Resources	588,709	8,268	6,561	603,538
Deferred Inflows of Resources	703,186	61,180	7,351	771,717
Pension/OPEB Expense	147,518	(9,282)	2,538	140,774

The District's financial statements present other postemployment benefit assets, liabilities and deferred outflows and inflows of resources related to the health benefit subsidy and long-term disability plan. These balances are not significant to the District's financial statements and therefore, all required note disclosures have been omitted.

Arizona State Retirement System

Plan Description – All full-time and qualifying part-time District employees participate in the Arizona State Retirement System (ASRS). The ASRS administers a cost-sharing, multiple-employer defined benefit pension plan; a cost-sharing, multiple-employer defined benefit health insurance premium benefit (OPEB); and a cost-sharing, multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2, and 2.1. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its Web site at www.azasrs.gov.

Benefits Provided – The ASRS provides retirement, health insurance premium supplement, long-term disability, and survivor benefits. State statute establishes benefit terms. Retirement benefits are calculated on the basis of age, average monthly compensation, and service credit as follows:

Years of Service and Age Required to Receive Benefit	Retirement	
	Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
	Sum of years and	
	age equals 80	30 years age 55
	10 years age 62	25 years age 60
	5 year age 50*	10 years age 62
	any years age 65	5 years age 50*
		any years age 65
Final Average Salary is Based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit Percentage Per Year of Service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.41% of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.01% of the active members' annual covered payroll.

In addition, the District was required by statute to contribute at the actuarially determined rate of 10.22% of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS.

The District's contribution to the pension plan for the year ended June 30, 2022 was \$267,543.

During the fiscal year ended June 30, 2022, the District paid for ASRS pension contributions as follows: 91% from the General Fund, 3% from the Special Projects Fund and 6% from other nonmajor governmental funds.

Pension Liability – At June 30, 2022, the District reported a liability of \$2,125,980 for its proportionate share of the ASRS' net pension liability. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the five-year period ended June 30, 2020, including decreasing the discount rate from 7.5% to 7.0% and changing the projected salary increases from 2.7-7.2% to 2.9-8.4%.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The District's proportion of the net pension liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021, and the change from its proportions measured as of June 30, 2020. The District's proportion measured as of June 30, 2021 was 0.01618%, which was a decrease of 0.00029 from its proportion measured as of June 30, 2020.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2022, the District recognized pension expense for ASRS of \$147,518. At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 32,409	\$ -
Changes of Assumptions or Other Inputs	276,713	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	673,585
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	12,044	29,601
Contributions Subsequent to the Measurement Date	267,543	-
Total	\$ 588,709	\$ 703,186

The \$267,543 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2023	\$ 4,981
2024	(6,387)
2025	(148,491)
2026	(232,123)

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Actuarial Assumptions – The significant actuarial assumptions used to measure the total pension liability are as follows:

Actuarial Valuation Date	June 30, 2020
Actuarial Roll Forward Date	June 30, 2021
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.0%
Projected Salary Increases	2.9-8.4%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRAScale U-MP

Actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Equity	50 %	4.90 %
Credit	20	5.20
Interest Rate Sensitive Bonds	10	0.70
Real Estate	20	5.70
Total	100 %	16.50

Discount Rate – At June 30, 2021, the discount rate used to measure the ASRS total pension liability was 7.0%, which was a decrease of 0.5% from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.0%) or one percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
The District’s Proportionate Share of the Net Pension Liability	<u>\$ 3,343,989</u>	<u>\$ 2,125,980</u>	<u>\$ 1,110,498</u>

Pension Plan Fiduciary Net Position – Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

REQUIRED SUPPLEMENTARY INFORMATION

THIS PAGE BLANK

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY
AND DISTRICT PENSION CONTRIBUTIONS
COST SHARING PENSION PLANS
JUNE 30, 2022

Schedule of the District's Proportionate Share of the Net Pension Liability	Reporting Year (Measurement Date)								
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
District's Proportion of the Net Pension Liability	0.01618%	0.01647%	0.01621%	0.01719%	0.016400%	0.017090%	0.171800%	0.016456%	0.016653%
District's Proportionate Share of the Net Pension Liability	\$ 2,125,980	\$ 2,853,678	\$ 2,358,744	\$ 2,397,400	\$ 2,544,800	\$ 2,758,498	\$ 2,675,913	\$ 2,434,983	\$ 2,767,435
District's Covered Payroll	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	\$ 1,556,966	\$ 1,586,128	\$ 1,487,786	\$ 1,446,315
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	116.86%	158.54%	126.78%	132.93%	151.94%	177.17%	168.71%	163.66%	191.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.58%	69.33%	73.24%	73.40%	67.06%	67.06%	68.35%	69.49%	N/A
Schedule of District Pension Contributions									
	2022	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily Required Contribution	\$ 267,543	\$ 211,947	\$ 206,100	\$ 191,121	\$ 186,340	\$ 177,950	\$ 167,451	\$ 172,384	\$ 158,741
District's Contributions in Relation to the Statutorily Required Contribution	267,543	211,947	206,100	191,121	186,340	177,950	167,451	172,384	158,741
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	\$ 1,556,966	\$ 1,586,128	\$ 1,487,786
District's Contributions as a Percentage of Covered Payroll	12.01%	11.65%	11.45%	10.27%	10.33%	10.62%	10.75%	10.87%	10.67%

See accompanying Notes to Required Supplementary Information.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ 3,038,634	\$ 3,038,634
Intergovernmental	-	-	223,121	223,121
Tuition	-	-	34,626	34,626
Investment Earnings	-	-	9,285	9,285
Other	-	-	36,644	36,644
Total Revenues	-	-	3,342,310	3,342,310
EXPENDITURES				
Regular Education:				
Instruction	1,841,831	1,841,831	1,811,533	30,298
Support Services - Students	870,500	870,500	6,260	864,240
Support Services - Instructional Staff	-	-	3,508	(3,508)
Support Services - General Administration	275,626	275,626	53,227	222,399
Support Services - School Administration	519,300	519,300	207,567	311,733
Support Services - Business and Other	-	-	233,604	(233,604)
Operations and Maintenance of Plant	601,774	601,774	394,970	206,804
Operation of Noninstructional Services	179,780	179,780	5,452	174,328
Total Regular Education	4,288,811	4,288,811	2,716,121	1,572,690
Special Education:				
Instruction	454,210	454,210	375,425	78,785
Support Services - Students	137,800	137,800	10,338	127,462
Support Services - Instructional Staff	-	-	34,657	(34,657)
Support Services - Business and Other	79,500	79,500	-	79,500
Total Special Education	671,510	671,510	420,420	251,090
Pupil Transportation:				
Student Transportation Services	85,600	85,600	169,843	(84,243)
K-3 Reading Program:				
Instruction	8,409	8,409	-	8,409
Total Expenditures	5,054,330	5,054,330	3,306,384	1,747,946
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(5,054,330)	(5,054,330)	35,926	5,090,256
FUND BALANCE				
Beginning of Year	-	-	1,112,154	1,112,154
End of Year	\$ (5,054,330)	\$ (5,054,330)	\$ 1,148,080	\$ 6,202,410

See accompanying Notes to Required Supplementary Information.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 498,486	\$ 498,486
Investment Earnings	-	-	28	28
Total Revenues	-	-	498,514	498,514
EXPENDITURES				
Instruction	964,435	964,435	163,063	801,372
Support Services				
Students	-	-	58,368	(58,368)
Instructional Staff	-	-	21,128	(21,128)
General Administration	-	-	2,168	(2,168)
Business and Other Support Services	-	-	10,825	(10,825)
Operations and Maintenance of Plant	-	-	57,772	(57,772)
Student Transportation	-	-	4,810	(4,810)
Other Support Services	-	-	3,668	(3,668)
Facilities Acquisition	-	-	55,195	(55,195)
Total Expenditures	964,435	964,435	376,997	587,438
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(964,435)	(964,435)	121,517	1,085,952
Other Financing Sources (Uses):				
Transfers Out	-	-	(2,998)	(2,998)
Net Change in Fund Balance	(964,435)	(964,435)	118,519	1,082,954
FUND BALANCE				
Beginning of Year	-	-	(59,424)	(59,424)
End of Year	<u>\$ (964,435)</u>	<u>\$ (964,435)</u>	<u>\$ 59,095</u>	<u>\$ 1,023,530</u>

See accompanying Notes to Required Supplementary Information.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1 PENSION PLAN

Information prior to the measurement date (June 30, 2013) was not available. Ten years of data will be presented as information becomes available.

NOTE 2 BUDGETARY BASIS OF ACCOUNTING

The District's adopted budget is prepared on a basis consistent with U.S. generally accepted accounting principles, with the following exception:

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the District's Maintenance and Operation Fund in addition to several other District funds as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; however, for budgetary purposes, the District prepares a separate Maintenance and Operation Fund budget.

The following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis in order to present only the activity of the District's Maintenance and Operation Fund for budgetary purposes.

	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 3,720,591	\$ 3,438,227	\$ 2,998	\$ 2,780,717	\$ 3,066,079
Non Maintenance and Operation Activity Included in General Fund	<u>(378,281)</u>	<u>(131,843)</u>	<u>(2,998)</u>	<u>(1,668,563)</u>	<u>(1,917,999)</u>
Budgetary Comparison Schedule - General Fund	<u>\$ 3,342,310</u>	<u>\$ 3,306,384</u>	<u>\$ -</u>	<u>\$ 1,112,154</u>	<u>\$ 1,148,080</u>

GOVERNMENT AUDITING STANDARDS REPORT

THIS PAGE BLANK



**INDEPENDENT AUDITORS' 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**

Governing Board
Pine Strawberry Elementary School District No. 12
Pine, Arizona

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 the governmental activities, each major fund, and the aggregate remaining fund information of Pine Strawberry Elementary School District No. 12 (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated August 15, 2023.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2022-001 to 2022-009 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Pine Strawberry Elementary School District No. 12's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

District's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Phoenix, Arizona
August 15, 2023

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

2022-001 Financial Reporting

Material Weakness

Repeat Finding: Yes 2021-001

Condition/Context: The District does not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with GAAP. As such, management requested that we prepare a draft of the financial statements, including the related footnote disclosures. However, as independent auditors, CLA cannot be considered part of the District's internal control system.

The audit firm proposed, and the District approved the GAAP conversion entries in order to draft the financial statements, which included reclassification entries to cash, receivables, and accounts payable, adjustments to convert the cash basis financial statements to the modified accrual basis of accounting, and the modified accrual basis financial statements to the accrual basis of accounting. These entries relate to internal controls over the year-end close-out process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the District's internal control processes.

Criteria: Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation of the financial statements in accordance with applicable accounting and reporting standards.

Effect: Significant audit adjustments were proposed and subsequently approved by management to properly state year-end balances in the fund and government-wide financial statements.

Cause: The District has not established controls to ensure accounts are adjusted to their appropriate year-end balances in accordance with GAAP. The District relies on the audit firm to prepare the annual financial statements and related footnote disclosures. The District has reviewed and approved the proposed adjustments and the draft financial statements.

Recommendation: We recommend the District continue to evaluate its internal control processes over financial statement preparation. Should the District elect to establish the "full oversight" of the financial statement preparation, we suggest management establish effective review policies and procedures, including, but not limited to, the following functions: review the adequacy of financial statement disclosures by completing a disclosure checklist; review and approve schedules and calculations supporting the amounts included in the notes to the basic financial statements; and perform other procedures considered necessary by management.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-002 Material Audit Adjustments

Material Weakness

Repeat Finding: Yes – 2021-002

Condition/Context: Material audit adjustments were necessary to properly state receivables, revenues, expenditures/expenses, equity, cash and to record activity in the proper fund.

Criteria: Generally accepted accounting principles (GAAP). Management is responsible for the accuracy and completeness of all financial records and related information and should have controls in place to prevent and detect a material misstatement in the financial statements.

Effect: Material audit adjustments were proposed and subsequently recorded by the District to correct misstatements, which included recording activity of bank accounts not recorded in the general ledger, adjustments to record expenditures/expenses in the correct fund, properly accrue current year grant revenues, and to reverse insurance expenditures in the General Fund that were deposited in the insurance bank account.

Cause: A lack of adequate internal controls over the financial statements.

Recommendation: We recommend the District review its internal controls to ensure adequate review processes are put into place and documented to support the adequacy of reported account balances at year-end in accordance with generally accepted accounting principles.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-003 Internal Controls over Cash with the County Treasurer

Material Weakness

Repeat Finding: Yes 2021-003

Condition/Context: The District maintains most of its cash on deposit with the County Treasurer. The County School's Superintendents (CSS) Office maintains a separate ledger of the District's financial activity and reconciles to the County Treasurer on a monthly basis. The District also maintains a separate ledger and should be reconciling its records of cash, revenues, and expenditures to the CSS monthly. However, we noted that the District was not reconciling its records of cash, revenues, and expenditures to the CSS or the County Treasurer, monthly.

Criteria: Internal controls would dictate that general ledger activity, including cash on deposit with the County Treasurer, should be reconciled to either the CSS's reconciliation or to the County Treasurer monthly.

Effect: The lack of adequate internal controls over the reconciliation of the District's records to the CSS's reconciliation or to the County Treasurer could result in a material misstatement going undetected and uncorrected.

Cause: The District was not reconciling cash, revenues, and expenditures to either the CSS or the County Treasurer during the fiscal year.

Recommendation: We recommend the District review its internal controls to ensure cash, revenues and expenditures are reconciled monthly to the CSS or the County Treasurer. If the District is reconciling its activity to the CSS, management should be reviewing the CSS reconciliation for completeness and accuracy.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-004 Internal Controls over Revenues

Material Weakness

Repeat Finding: Yes 2021-004

Condition/Context: The District lacked internal control procedures to reconcile property taxes and state and federal grants-and-aid recorded in the general ledger.

Criteria: Internal controls would dictate that adequate internal controls be designed and implemented to reconcile the recording of revenue in the general ledger to determine completeness, accuracy, existence, and proper cut-off of revenue.

Effect: The lack of designed controls over the reconciliation of revenues recorded in the general ledger could result in material misstatements going undetected and uncorrected. Due to the lack of reconciliations, we noted tuition revenue charged to other districts was not recorded as revenue for the first six months of the year and the District lacked controls to identify that the tuition revenue for the first six months of the year were not collected. Additionally, our audit procedures noted building renewal revenue and other federal and state grants that were received more than six months after fiscal year end.

Cause: The District did not have designed procedures to reconcile significant revenue sources, including property taxes, federal and state grants, and other state aid.

Recommendation: We recommend the District design procedures to reconcile revenues monthly. This would include reconciling additional state aid to the apportionment report, property tax revenues to the county distribution report, state and federal grants to the Arizona Department of Education's grant summaries, food service revenues to the meal claims summary, school facilities board (SFB) revenues to the distribution report from the SFB and reported expenditures and other significant revenues received through the Arizona Department of Education or other funding sources.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-005 Internal Controls over Information Technology

Material Weakness

Repeat Finding: Yes – 2021-005

Condition/Context: User access rights gave employees the ability to complete an entire transaction without review. We also noted the District adopted a disaster recovery plan; however, the District has not completed testing of the disaster recovery plan to determine the disaster recovery plan is properly designed to prevent the loss of sensitive information.

Several District employees had full user access over the general ledger, accounts payable and payroll transactions, creating an opportunity for an error to go undetected and uncorrected. In addition, the District did not test the disaster recovery plan to protect against the loss of sensitive data.

Criteria: Internal controls would dictate that roles and responsibilities within the financial accounting software be segregated to prevent an individual from having access to a module that is incompatible with their job duties. Additionally, internal controls would dictate that designed disaster recovery plans be tested to protect the District from the loss of sensitive data.

Effect: The lack of adequate internal controls over information technology could result in a material misstatement going undetected and uncorrected.

Cause: Due to the limited staff size, certain employees were provided full user access rights. Additionally, although the District updated the information technology policies, including the design of a disaster recovery plan, the disaster recovery plan had not been tested since design.

Recommendation: We recommend the District review employees' access rights to ensure an adequate segregation of duties exists. The District should also schedule a test of the disaster recovery plan to minimize any loss in the event of a disaster.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-006 Cash Controls

Material Weakness

Repeat Finding: Yes – 2021-006

Condition/Context: The District lacked controls over cash handling and recordkeeping.

During our audit we noted the following control deficiencies related to cash handling and recordkeeping:

1. The District lacked adequate segregation of duties over cash handling, recordkeeping, and reconciling accounts. Additionally, we noted an individual with check signing authority had access to the blank checks.
2. We noted the food service clearing account was not remitted to the County Treasurer monthly. The food service clearing fund should be used solely to collect cash receipts and deposit receipts with the County Treasurer at least monthly.
3. We noted two of five revolving account disbursements tested were not for immediate cash outlays.
4. The District was not completing monthly bank reconciliations of the bank accounts held with a local financial institution.

Criteria: Internal controls would dictate that policies and procedures be implemented as designed to prevent and detect misstatements.

Effect: The lack of adequate internal controls over cash handling and recordkeeping could result in a material misstatement, whether due to fraud or error, going undetected and uncorrected.

Cause: Designed policies and procedures were not being performed consistently.

Recommendation: We recommend the District review its policies and procedures over cash handling and recordkeeping and provide training to District staff over the policies and procedures to determine controls are properly designed and implemented to prevent and detect a misstatement and that the policies and procedures are being implemented as designed.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-007 Timeliness of Year End Close-Out

Material Weakness

Repeat Finding: Yes – 2021-007

Condition/Context: Due to the lack of timely completion of reconciliations over cash, state, and federal grants, property taxes, state aid, grant activity and the lack of year end preparedness, the District's financial records were not prepared to allow sufficient time to complete the audit within a reasonable time period following fiscal year-end.

Criteria: Strong financial management and the District's obligation to the stakeholder's, the community, and its governing board in presenting audited financial information, would dictate that the financial statements of the District be audited and provided to those with an interest in the District within a reasonable time period following fiscal year-end to provide meaningful and useful financial data.

Effect: The lack of timely reports results in noncompliance with the requirements of the state of Arizona and does not provide timely reports for those with an interest in the District.

Cause: The District was not reconciling cash, revenues, or expenditures to either the CSS or the County Treasurer during the fiscal year. Additionally, grant activity and other District reconciliations were not prepared timely. The District contracted with a consultant to assist with the year-end close-out procedures; however, due to the delay in the previous year, current year procedures could not be performed within a reasonable time period following fiscal year end.

Recommendation: We recommend the District review its year end closing procedures and identify individuals with suitable skills and knowledge to complete the necessary reconciliations and year-end adjustments to allow sufficient time to present reports to those with an interest in the District within a reasonable time period following fiscal year end. Should the District lack resources or the suitable skills or knowledge to complete the aforementioned duties timely, the District should consider continuing to contract with a professional to assist in the process of closing out the year-end and providing training to District staff.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-008 Internal Controls over Journal Entries

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes – 2021-008

Condition/Context: For three of five journal entries tested, the District did not retain documentation to support the proposed journal entry.

Criteria: Internal controls would dictate that documentation be retained to support all proposed journal entries.

Effect: The lack of proper controls could result in a misstatement going undetected and uncorrected.

Cause: No known cause.

Recommendation: We recommend the District review its designed procedures over journal entry preparation, review, and approval to determine procedures adequately address the retention of supporting documents for all proposed adjustments.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2022**

2022-009 Internal Controls over Capital Assets

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: No

Condition/Context: The District did not properly update its capital asset records during the year. A reconciliation of additions to current year capital expenditures was not performed and the current year listing was not reconciled to the prior year listing.

Criteria: Internal controls would dictate that capital asset records should be updated for current year activity at least on an annual basis.

Effect: The District did not include current year additions in the amount of \$61,593.

Cause: Designed policies and procedures were not being performed consistently.

Recommendation: We recommend the District perform a reconciliation of current year additions to current year capital expenditures and the current year listing to the prior year listing to ensure completeness of its capital assets records.

View of Responsible Official: The District concurs with this recommendation.

Contact Person: Aimee E. Manjarres, Business Manager.

THIS PAGE BLANK



CLA (CliftonLarsonAllen LLP) is a network member of CLA Global. See CLAGlobal.com/disclaimer. Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC, an SEC-registered investment advisor.