

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
SINGLE AUDIT ACT REPORTS
YEAR ENDED JUNE 30, 2020



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**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
Litchfield Elementary School District No. 79
Litchfield Park, 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 Litchfield Elementary School District No. 79 (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 25, 2021.

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) to determine the 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District'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 determination of financial statement amounts. 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*.

Purpose of this Report

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

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

CliftonLarsonAllen LLP

Phoenix, Arizona
January 25, 2021



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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER
COMPLIANCE, AND REPORT ON THE SCHEDULE OF EXPENDITURES OF
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Litchfield Elementary School District No. 79
Litchfield Park, Arizona

Report on Compliance for Each Major Federal Program

We have audited Litchfield Elementary School District No. 79 (District)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2020. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, Litchfield Elementary School District No. 79 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2020.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated January 25, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Phoenix, Arizona
January 25, 2021

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

SECTION I – SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified not considered to be material weakness? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes X no
- Significant deficiency(ies) identified not considered to be material weakness? _____ yes X none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2CFR 200.516(a)? _____ yes X no

Identification of major programs:

CFDA Numbers

84.010
84.027; 84.173

Name of Federal Program or Cluster

Title I - LEAs
Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? X yes _____ no

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

SECTION II – FINANCIAL STATEMENT FINDINGS

None Noted

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None Noted

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020

| | Federal CFDA Number | Pass-through Grantor's Number | Expenditures | Pass-through to Subrecipients |
|--|---------------------------|-------------------------------------|--------------|-------------------------------------|
| U.S. Department of Agriculture - Food and Nutrition | | | | |
| Child Nutrition Cluster: | | | | |
| School Breakfast Programs | 10.553 | 7AZ300AZ3 | \$ 392,248 | \$ - |
| National School Lunch Programs | 10.555 | 7AZ300AZ3 | \$ 1,683,693 | - |
| Commodities - National School Lunch - Noncash | 10.555 | 7AZ300AZ3 | 567,836 | - |
| Total 10.555 | | | 2,251,529 | - |
| Summer Food Service Program | 10.559 | 7AZ300AZ3 | 113,501 | - |
| Total Child Nutrition Cluster (CFDA No. 10.553, 10.555 and 10.559) | | | 2,757,278 | - |
| Total U.S. Department of Agriculture - Food and Nutrition | | | 2,757,278 | - |
| U.S. Department of Education | | | | |
| Passed through State of Arizona, Department of Education: | | | | |
| Title I - LEAs | 84.010 | S010A190003 | 1,042,679 | - |
| Special Education Cluster: | | | | |
| IDEA Education of Children with Disabilities, Part B | 84.027 | H027A190007 | 1,586,681 | - |
| IDEA Preschool Special Education Grant, Part B | 84.173 | H173A190003 | 41,774 | - |
| Total Special Education Cluster (CFDA No.'s 84.027 and 84.173) | | | 1,628,455 | - |
| Title III - English Language Acquisition | 84.365 | H365A190003 | 68,720 | - |
| Title II - Improving Teacher Quality | 84.367 | H367A190003 | 182,980 | - |
| Title IV - Student Support and Academic Achievement | 84.424 | H424A190003 | 7,014 | - |
| Total U.S. Department of Education | | | 2,929,848 | - |
| TOTAL FEDERAL AWARDS | | | \$ 5,687,126 | \$ - |

See the Notes to Schedule of Expenditures of Federal Awards.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

NOTE 1 GENERAL

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of Litchfield Elementary School District No. 79 (District) under programs of the federal government for the year ended June 30, 2020. The information in this Schedule is presented in accordance with the requirements of 2CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

NOTE 2 BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 to the District's basic financial statements for the year ended June 30, 2020.

NOTE 3 INDIRECT COST RATE

The District did not elect to use the 10 percent de minimus indirect cost rate as covered in 2 CFR 200.414. The District used an indirect cost rate that was approved by the Arizona Department of Education.



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Senior Management and the Governing Board
Litchfield Elementary School District No. 79
Litchfield Park, Arizona

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchfield Elementary School District No. 79 (District) for the year ended June 30, 2020, and have issued our report thereon dated January 25, 2021. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, and Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the District are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2020.

We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the useful lives of capital assets is based on an analysis of the assets' condition and the District's previous experience. We evaluated the key factors and assumptions used to develop the useful lives of capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the current and long-term portion of compensated absences was calculated based on employees currently eligible and those employees expected to be eligible. We evaluated the key factors and assumptions used to develop the current and long-term liability in determining the reasonableness in relation to the financial statements as a whole.

Accounting estimates (Continued)

- Management's estimate of the functional allocation of revenues was based on previous experience and actual costs incurred on the programs. We evaluated the key factors and assumptions used to develop the functional allocation of revenues in determining it was reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the unfunded pension liability related to the Arizona State Retirement System pension plan is based on actuarial reports prepared by other professionals. We reviewed the key factors and assumptions used to estimate the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the Other Postemployment Benefit (OPEB) asset and liability is based on actuarial reports prepared by other professionals. We reviewed the key factors and assumptions used to develop the OPEB asset and liability in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The following is an uncorrected misstatement of the financial statements. Management has determined that its effect is immaterial, both individually and in the aggregate, to the financial statements taken as a whole:

- In the prior year, a passed adjustment was recorded to accrue retainage in the bond building fund. The retainage was paid during the current fiscal year overstating expenditures and beginning fund balance in the amount of \$99,227.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated January 25, 2021.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the schedule of expenditures of federal awards (SEFA) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the SEFA to determine that the SEFA complies with the requirements of Uniform Guidance, the method of preparing it has not changed from the prior period or the reasons for such changes, and the SEFA is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the SEFA to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have separately issued our report thereon dated January 25, 2021.

The statistical information accompanying the financial statements, which is of a nonaccounting nature and which is the responsibility of management, was prepared for purposes of additional analysis and is not a required part of the financial statements. Such information was not subjected to the auditing procedures applied in the audit of the financial statements, and, accordingly, we did not express an opinion or provide any assurance on it.

Our auditors' opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * *

This communication is intended solely for the information and use of the Governing Board and management of Litchfield Elementary School District No. 79 and is not intended to be, and should not be, used by anyone other than these specified parties.

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CliftonLarsonAllen LLP

Phoenix, Arizona
January 25, 2021

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
LIST OF PRINCIPAL OFFICIALS
AS OF JUNE 30, 2020**

Governing Board

| | |
|--------------------|-----------|
| Danielle Clymer | President |
| Kimberly Moran | Member |
| Dr. Tawnya Pfitzer | Member |
| Alayne Weathersby | Member |
| Melissa Zuidema | Member |

Superintendent

Jodi Gunning

Executive Director of Finance

Wendy D. Qualls

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Litchfield Elementary School District No. 79
Litchfield Park, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Litchfield Elementary School District No. 79 (District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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 Litchfield Elementary School District No. 79 as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 25, 2021, 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
January 25, 2021

REQUIRED SUPPLEMENTARY INFORMATION

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**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As management of Litchfield Elementary School District No. 79 (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, 2020.

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 \$94,092,304 (net position).
- ◆ The District's total net position increased by \$2,717,076. The increase was largely due to increases in state equalization and additional state aid and operating grant contributions.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$55,297,054, a decrease of \$1,755,202 in comparison with the prior year. The decrease was largely due to \$2,107,936 in bond building expenditures for facility improvements and construction of an elementary school.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$39,396,379, or 50.7% of total General Fund expenditures.
- ◆ The District's total bonded debt decreased by \$5,115,000 (11.0%) during the current fiscal year. The decrease was due to scheduled principal payments due on outstanding bonds.

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. This report also contains required supplementary information in addition to the basic financial statements themselves.

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 government'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 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 MD&A.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

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 can be divided into two categories: governmental funds and fiduciary 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 forty-seven 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 Debt Service Fund, both of which are considered to be major funds. Data from the other 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, Debt Service, 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 accomplishing budgetary control. Encumbered amounts lapse at year-end.

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 12 – 15 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the *resources* of those funds are not available to support the District's own programs. The fiduciary funds are custodial in nature and do not present results of operations or a measurement focus.

The statement of fiduciary fund net position can be found on page 16 of this report.

Notes to Basic Financial Statements

The notes 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 basic financial statements can be found on pages 17 – 39 of this report.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Required Supplementary Information Other than the MD&A

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 (RSI) other than the MD&A. The District has presented the General Fund budgetary comparison schedule as RSI other than the MD&A and can be found on page 40. The District also reports a schedule of its proportionate share of the net pension/OPEB liability and contributions as RSI immediately following the general fund budgetary schedule.

Other Information

The statistical section includes selected financial demographic information, generally presented on a multi-year basis. The statistical section can be found on pages 47 – 60 of this report.

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 \$94,092,304 at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, furniture, equipment, and vehicles), 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. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligation to citizens and creditors.

Net Position

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

**Table A-1
The District's Net Position**

| | Governmental Activities | |
|----------------------------------|-------------------------|---------------|
| | 2020 | 2019 |
| Current and Other Assets | \$ 65,443,789 | \$ 67,632,650 |
| Capital Assets | 150,961,379 | 149,092,155 |
| Total Assets | 216,405,168 | 216,724,805 |
| Deferred Outflows of Resources | 12,389,414 | 11,286,094 |
| Current Liabilities | 8,164,553 | 8,624,600 |
| Long-Term Liabilities | 121,113,257 | 118,761,578 |
| Total Liabilities | 129,277,810 | 127,386,178 |
| Deferred Inflows of Resources | 5,424,468 | 9,249,493 |
| Net Position | | |
| Net Investment in Capital Assets | 108,293,976 | 103,092,605 |
| Restricted | 14,668,147 | 16,462,391 |
| Unrestricted | (28,869,819) | (28,179,768) |
| Total Net Position | \$ 94,092,304 | \$ 91,375,228 |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020

At the end of the current fiscal year, the District was able to report positive balances in two of the three categories of net position. The net investment in capital assets increased 5.0% due to the reduction of long-term debt associated with the assets. The debt, net of unspent bonds, was a direct offset to net position. Current year depreciation was a decrease to the net investment in capital assets, while current year principal payments on long-term debt increased net position.

Restricted net position decreased 10.9% largely due to a reduction in net position restricted for food services, Community School and capital projects (excluding unspent bond proceeds), net of an increase in net position restricted for classroom site.

The unrestricted portion decreased by 2.5%, due to an increase in the pension/OPEB liability and related expense. It should also be noted that this category is negative due to pension related activity.

Change in Net Position

Overall, net position increased \$2,717,076 or 3.0%. Key elements of this increase are as follows:

Table A-2
Change in Net Position

| | Governmental Activities | | | |
|---|-------------------------|----------------------|---------------------|----------------|
| | 2020 | 2019 | Annual Change | Percent Change |
| REVENUES | | | | |
| Program Revenues: | | | | |
| Charges for Services | \$ 4,562,834 | \$ 5,467,866 | \$ (905,032) | (16.55)% |
| Operating Grants and Contributions | 13,845,600 | 12,955,599 | 890,001 | 6.87 % |
| Capital Grants and Contributions | 2,731,832 | 2,293,393 | 438,439 | 19.12 % |
| General Revenues: | | | | |
| Property Taxes | 28,762,804 | 27,412,883 | 1,349,921 | 4.92 % |
| Grants and Contributions Not Restricted to Specific Programs: | | | | |
| State Equalization and Additional State Aid | 54,721,661 | 49,434,480 | 5,287,181 | 10.70 % |
| Federal Aid Not Restricted | 67,048 | 110,432 | (43,384) | (39.29)% |
| Unrestricted Investment Earnings | 1,007,367 | 1,340,443 | (333,076) | (24.85)% |
| Other | 53,751 | 198,685 | (144,934) | (72.95)% |
| Total Revenues | 105,752,897 | 99,213,781 | 6,539,116 | 6.59 % |
| EXPENSES | | | | |
| Instruction | 59,659,659 | 50,879,483 | 8,780,176 | 17.26 % |
| Support Services: | | | | |
| Students and Instructional Staff | 11,600,997 | 10,220,092 | 1,380,905 | 13.51 % |
| General and School Administration | 4,701,376 | 4,281,992 | 419,384 | 9.79 % |
| Business and Other Support Services | 3,273,032 | 3,069,464 | 203,568 | 6.63 % |
| Operation and Maintenance of Plant | 9,312,927 | 8,377,026 | 935,901 | 11.17 % |
| Student Transportation | 4,526,775 | 4,325,294 | 201,481 | 4.66 % |
| Operation of Noninstructional Services | 8,425,436 | 8,101,907 | 323,529 | 3.99 % |
| Interest on Long-Term Debt | 1,535,619 | 1,680,492 | (144,873) | (8.62)% |
| Total Expenses | 103,035,821 | 90,935,750 | 12,100,071 | 13.31 % |
| CHANGE IN NET POSITION | 2,717,076 | 8,278,031 | (5,560,955) | (67.18)% |
| Net Position - Beginning of Year | 91,375,228 | 83,097,197 | 8,278,031 | 9.96 % |
| NET POSITION - END OF YEAR | <u>\$ 94,092,304</u> | <u>\$ 91,375,228</u> | <u>\$ 2,717,076</u> | 2.97 % |

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Program revenues, which are made up of charges for services, operating grants and contributions, and capital grants and contributions, increased from the prior year by \$423,408. The increase was due to an increase in operating grants, largely state grants. Capital contributions increased \$438,439 due to a \$2.4 million land donation, offset by reduced state building renewal funds for completion of various District funded projects. These increases were offset by a \$905,032 reduction in charges for services, largely due to reduced services in the last three months of the year as a result of the COVID-19 pandemic.

Property taxes increased \$1,349,921 or 4.9% due to an increase in the value of the taxbase.

State equalization and additional state aide increased \$5,287,181 due to the District receiving more funding based upon changes in the state funding formula, as well as additional state aid.

District expenses increased by \$12,100,071 primarily as a result of staffing to provide instruction to additional students, opening a new elementary school, providing additional contracted student support services to special education students, pay raises and increases in health insurance premiums.

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 end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$55,297,054, a decrease of \$1,755,202 in comparison with the prior year. Approximately 71.2% of this total amount (\$39,396,379) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable and restricted to indicate that is not available for new spending.

At fiscal year-end 2019-20 balances were as follows:

**Table A-3
Fund Balances**

| Fund | Balance | Increase (Decrease) From Prior Year |
|-----------------------------|----------------------|---|
| General Fund | \$ 39,497,644 | \$ 2,078,229 |
| Debt Service Fund | 448,129 | (161,238) |
| Nonmajor Governmental Funds | 15,351,281 | (3,672,193) |
| Total | <u>\$ 55,297,054</u> | <u>\$ (1,755,202)</u> |

The General Fund increase was due to reduced operating costs over the last three months of the year, due to school closure, as a result of the COVID-19 pandemic.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The Debt Service Fund decreased due to a net increase in scheduled debt service payments due on the outstanding bonds.

The Nonmajor Governmental Funds decrease was mainly due to the \$2,107,936 and \$359,711 in capital outlay in Bond Building and Adjacent Ways funds, respectively for the construction of Belen Soto Elementary School.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$2,624,059. The regular education subsection accounted for \$1,275,556 of the difference and was largely allocated to instruction and operation and maintenance of plant.

The amendments described above were made due to increased budget carryover becoming available when prior year actual General Fund expenditures were less than projected. Actual General Fund expenditures were \$7,218,567 less than budget during the fiscal year. Actual expenditures were within 10.0% of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for the governmental activities as of June 30, 2020, amounts to \$150,961,379 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and improvements, furniture, equipment and vehicles and construction in progress.

Major capital asset events during the current fiscal year included the following:

- ◆ Completion of Western Sky roof replacement in the amount of \$1.1 million.
- ◆ Completion of construction of Belen Soto Elementary School in the amount of \$17 million.
- ◆ A land donation in the amount \$2.4 million.
- ◆ Purchase of eleven school buses in the amount of \$1.6 million.

Capital assets for fiscal years June 30, 2020 and 2019, net of accumulated depreciation was as follows:

**Table A-4
Capital Assets (Net)**

| | Governmental Activities | |
|-------------------------------------|-------------------------|-----------------------|
| | 2020 | 2019 |
| Land | \$ 22,561,037 | \$ 20,161,037 |
| Construction in Progress | 347,342 | 17,221,929 |
| Land Improvements | 2,958,230 | 1,942,903 |
| Buildings and Building Improvements | 118,220,216 | 103,737,706 |
| Furniture, Equipment, and Vehicles | 6,874,554 | 6,028,580 |
| Total Capital Assets, Net | <u>\$ 150,961,379</u> | <u>\$ 149,092,155</u> |

Additional information on the District's capital assets can be found in Note 2.A.4. of this report.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Long-Term Debt

At the end of the current fiscal year, the District had total bonded debt outstanding of \$41,220,000. All this debt is backed by the full faith and credit of the District.

**Table A-5
Outstanding Debt**

| | Governmental Activities | |
|--------------------------|-------------------------|----------------------|
| | 2020 | 2019 |
| General Obligation Bonds | <u>\$ 41,220,000</u> | <u>\$ 46,335,000</u> |

The District's total bonded debt decreased by \$5,115,000 (11.0%) during the current fiscal year. This decrease was the result of scheduled principal payments due on outstanding bonds.

The State Constitution/Statutes limits the amount of bonded debt a nonunified school district may issue to 15% of its net secondary assessed valuation and the greater of 10% of the net secondary assessed valuation or \$1,500 per ADM for Class B Bonded debt. The current debt limitation for the District is \$171,651,171 for all debt and \$114,434,114, for Class B bonded debt. The District's total debt was below 15% of its net secondary assessed valuation and below the greater of 10% of the net secondary assessed valuation or \$1,500 per average daily membership (ADM) for Class B bonded debt.

Additional information on the District's long-term debt can be found in Note 2.E. of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ Increased budget available due to state appropriation for teacher salary increases.
- ◆ Decrease budget available due to lower student enrollment.
- ◆ Grant funds available to support schools during the COVID-19 pandemic.
- ◆ Increase in technology costs for online learning.
- ◆ Increase in operational costs for school safety measures.
- ◆ Use of cash reserves to retain employees during program closure and/or limited operation.

All of these factors were considered in preparing the District's budget for the 2020 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the District's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Executive Director of Finance, Litchfield Elementary School District No. 79, 272 E. Sagebrush St., Litchfield Park, Arizona 85340, or call 623-535-6000.

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BASIC FINANCIAL STATEMENTS

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 47,450,356 |
| Restricted Cash and Investments | 1,477,316 |
| Deposits | 90,496 |
| Receivables: | |
| Accounts Receivable | 49,528 |
| Property Taxes | 2,096,190 |
| Intergovernmental | 13,904,880 |
| Inventories | 231,717 |
| Net Other Postemployment Benefits Asset | 143,306 |
| Capital Assets: | |
| Nondepreciable | 22,908,379 |
| Depreciable, Net | 128,053,000 |
| Total Assets | <u>216,405,168</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows Related to Pensions and Other Post Employment Benefits | 12,389,414 |
| LIABILITIES | |
| Accounts Payable | 602,533 |
| Accrued Wages and Benefits | 1,581,933 |
| Accrued Interest | 865,087 |
| Matured Debt Principal Payable | 5,115,000 |
| Long-Term Liabilities: | |
| Due Within One Year | 5,505,054 |
| Due in More Than One Year | 41,039,844 |
| Net Pension and OPEB Liability Due in More Than One Year | 74,568,359 |
| Total Liabilities | <u>129,277,810</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows Related to Pensions and Other Post Employment Benefits | <u>5,424,468</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 108,293,976 |
| Restricted for: | |
| Instructional Improvements | 1,080,555 |
| Classroom Site | 3,632,605 |
| Federal and State Grants | 1,132,418 |
| Food Services | 1,839,051 |
| Debt Service | 499,842 |
| Civic Center | 3,428,854 |
| Community School | 1,918,231 |
| Other Noninstructional Services | 474,580 |
| Other Post Employment Benefits | 143,306 |
| Other | 257,668 |
| Capital Projects | 261,037 |
| Unrestricted | <u>(28,869,819)</u> |
| Total Net Position | <u>\$ 94,092,304</u> |

See accompanying Notes to Basic Financial Statements.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

| | | | | | Net (Expense) Revenue and Changes in Net Position |
|--|-----------------------|-------------------------|---------------------------------------|-------------------------------------|--|
| | | Program Revenues | | | |
| Functions/Programs | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities |
| Primary Government: | | | | | |
| Governmental Activities: | | | | | |
| Instruction | \$ 59,659,659 | \$ 204,164 | \$ 8,933,372 | \$ 2,400,000 | \$ (48,122,123) |
| Support Services: | | | | | |
| Students | 7,640,862 | - | 411,990 | - | (7,228,872) |
| Instructional Staff | 3,960,135 | - | 920,194 | - | (3,039,941) |
| General Administration | 1,203,824 | 3,328 | 143,014 | - | (1,057,482) |
| School Administration | 3,497,552 | - | 70,117 | - | (3,427,435) |
| Business and Other Support Services | 3,273,032 | 49,264 | 90,709 | - | (3,133,059) |
| Operation and Maintenance of Plant | 9,312,927 | 43,077 | 237,659 | 331,832 | (8,700,359) |
| Student Transportation | 4,526,775 | 9,964 | 108,560 | - | (4,408,251) |
| Operation of Noninstructional Services | 8,425,436 | 4,253,037 | 2,929,985 | - | (1,242,414) |
| Interest on Long-Term Debt | 1,535,619 | - | - | - | (1,535,619) |
| Total | <u>\$ 103,035,821</u> | <u>\$ 4,562,834</u> | <u>\$ 13,845,600</u> | <u>\$ 2,731,832</u> | (81,895,555) |
| General Revenues: | | | | | |
| | | | | | 28,762,804 |
| | | | | | |
| | | | | | 54,721,661 |
| | | | | | 67,048 |
| | | | | | 1,007,367 |
| | | | | | 53,751 |
| | | | | | <u>84,612,631</u> |
| | | | | | 2,717,076 |
| | | | | | <u>91,375,228</u> |
| | | | | | <u>\$ 94,092,304</u> |

See accompanying Notes to Basic Financial Statements.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General Fund | Debt Service | Nonmajor Governmental Funds | Totals |
|--|----------------------|---------------------|-----------------------------------|----------------------|
| Assets | | | | |
| Cash and Investments | \$ 27,494,943 | \$ 6,377,985 | \$ 13,577,428 | \$ 47,450,356 |
| Restricted Cash and Investments | - | - | 1,477,316 | 1,477,316 |
| Deposit | - | - | 90,496 | 90,496 |
| Receivables | | | | |
| Property Taxes | 1,949,188 | 101,944 | 45,058 | 2,096,190 |
| Intergovernmental | 12,980,539 | - | 924,341 | 13,904,880 |
| Inventories | 101,265 | - | 130,452 | 231,717 |
| Due from Other Funds | 703,540 | - | - | 703,540 |
| Total Assets | <u>\$ 43,279,003</u> | <u>\$ 6,479,929</u> | <u>\$ 16,245,091</u> | <u>\$ 66,004,023</u> |
| Liabilities, Deferred Inflows of Resources, and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts Payable | \$ 457,321 | \$ - | \$ 145,212 | \$ 602,533 |
| Accrued Wages and Benefits | 1,581,933 | - | - | 1,581,933 |
| Accrued Interest | - | 865,087 | - | 865,087 |
| Due to Other Funds | - | - | 703,540 | 703,540 |
| Matured Debt Principal Payable | - | 5,115,000 | - | 5,115,000 |
| Total Liabilities | <u>2,039,254</u> | <u>5,980,087</u> | <u>848,752</u> | <u>8,868,093</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable Revenue | 1,742,105 | 51,713 | 45,058 | 1,838,876 |
| Fund Balances | | | | |
| Nonspendable | 101,265 | - | 220,948 | 322,213 |
| Restricted | - | 448,129 | 15,130,333 | 15,578,462 |
| Unassigned | <u>39,396,379</u> | <u>-</u> | <u>-</u> | <u>39,396,379</u> |
| Total Fund Balances | <u>39,497,644</u> | <u>448,129</u> | <u>15,351,281</u> | <u>55,297,054</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 43,279,003</u> | <u>\$ 6,479,929</u> | <u>\$ 16,245,091</u> | <u>\$ 66,004,023</u> |

See accompanying Notes to Basic Financial Statements.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

| | | |
|--|----|------------|
| Total Fund Balances for Governmental Funds | \$ | 55,297,054 |
|--|----|------------|

Total net position reported for governmental activities
in the statement of net position is different because:

Capital assets used in governmental funds are not
financial resources and, therefore, are not reported
in the funds. Those assets consist of:

| | | |
|--------------------------------|---------------------|-------------|
| Governmental Capital Assets | \$ 224,876,180 | |
| Less: Accumulated Depreciation | <u>(73,914,801)</u> | 150,961,379 |

Some of the District's revenues will be collected after
year-end, but are not available soon enough to pay for
the current period's expenditures and, therefore, are
reported as deferred inflows of resources in the
governmental funds.

| | | |
|----------------|--|-----------|
| Property Taxes | | 1,838,876 |
|----------------|--|-----------|

Deferred outflows and inflows of resources related to
pensions/OPEB are applicable to future periods and, therefore,
are not reported in the funds.

| | | |
|---|--|-------------|
| Deferred Outflows of Resources Related to Pensions/OPEB | | 12,389,414 |
| Deferred Inflows of Resources Related to Pensions/OPEB | | (5,424,468) |

Long-term liabilities that pertain to governmental funds,
including bonds payable, are not due and payable in
the current period and, therefore, are not reported as
fund liabilities. All liabilities, both current and long-term,
are reported in the statement of net position.

| | | |
|--------------------------------|--------------------|----------------------|
| General Obligation Bonds | (41,220,000) | |
| Unamortized Premiums | (1,889,211) | |
| Capital Lease Payable | (929,532) | |
| Net Pension and OPEB Liability | (74,568,359) | |
| Net OPEB Asset | 143,306 | |
| Compensated Absence Payable | <u>(2,506,155)</u> | <u>(120,969,951)</u> |

| | | |
|---|----|--------------------------|
| Total Net Position of Governmental Activities | \$ | <u><u>94,092,304</u></u> |
|---|----|--------------------------|

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | General Fund | Debt Service | Nonmajor Governmental Funds | Totals |
|---|-----------------|-----------------|-----------------------------------|---------------|
| Revenues | | | | |
| Property Taxes | \$ 22,133,092 | \$ 6,572,346 | \$ - | \$ 28,705,438 |
| Intergovernmental | 55,958,050 | - | 12,463,759 | 68,421,809 |
| Food Service Sales | - | - | 1,401,216 | 1,401,216 |
| Auxiliary Operations | 107,233 | - | - | 107,233 |
| Contributions and Donations | 369,818 | - | 174,514 | 544,332 |
| Investment Earnings | 597,090 | 112,816 | 297,461 | 1,007,367 |
| Other | 53,243 | - | 3,054,893 | 3,108,136 |
| Total Revenues | 79,218,526 | 6,685,162 | 17,391,843 | 103,295,531 |
| Expenditures | | | | |
| Current | | | | |
| Instruction | 44,856,005 | - | 8,185,633 | 53,041,638 |
| Support Services | | | | |
| Students | 7,178,732 | - | 231,800 | 7,410,532 |
| Instructional Staff | 3,131,916 | - | 717,102 | 3,849,018 |
| General Administration | 1,045,241 | - | 111,302 | 1,156,543 |
| School Administration | 3,354,107 | - | - | 3,354,107 |
| Business and Other Support Services | 2,949,009 | 1,225 | 85,992 | 3,036,226 |
| Operations and Maintenance of Plant | 9,007,566 | - | 244,880 | 9,252,446 |
| Student Transportation | 5,165,808 | - | 12,695 | 5,178,503 |
| Operation of Noninstructional Services | 145,696 | - | 8,037,532 | 8,183,228 |
| Debt Service | | | | |
| Principal Retirement | - | 5,115,000 | 102,293 | 5,217,293 |
| Interest on Long-Term Debt | - | 1,730,175 | 28,234 | 1,758,409 |
| Facilities Acquisition | 861,930 | - | 2,767,619 | 3,629,549 |
| Total Expenditures | 77,696,010 | 6,846,400 | 20,525,082 | 105,067,492 |
| Excess (Deficiency) of Revenues Over Expenditures | 1,522,516 | (161,238) | (3,133,239) | (1,771,961) |
| Other Financing Sources (Uses) | | | | |
| Transfers In | 683,340 | - | 140,000 | 823,340 |
| Transfers Out | (140,000) | - | (683,340) | (823,340) |
| Total Other Financing Sources (Uses) | 543,340 | - | (543,340) | - |
| Net Change in Fund Balances | 2,065,856 | (161,238) | (3,676,579) | (1,771,961) |
| Fund Balances | | | | |
| Beginning of Year | 37,419,415 | 609,367 | 19,023,474 | 57,052,256 |
| Increase (Decrease) in Nonspendable Fund Balance for Inventories | 12,373 | - | 4,386 | 16,759 |
| End of Year | \$ 39,497,644 | \$ 448,129 | \$ 15,351,281 | \$ 55,297,054 |

See accompanying Notes to Basic Financial Statements.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020**

Net Change in Fund Balances-Total Governmental Funds \$ (1,771,961)

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

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

| | |
|---|--------------------|
| Expenditure for Capital Assets | 8,003,850 |
| Loss on Disposal of Assets | (142,136) |
| Less: Depreciation Expense | <u>(5,992,490)</u> |
| Excess Capital Expenditures over Depreciation | 1,869,224 |

Some revenues reported in the statement of activities do not provide current financial resources and therefore are not reported as revenues in governmental funds.

| | |
|------------------------------------|-------------|
| Unavailable Revenue - Current Year | 1,838,876 |
| Unavailable Revenue - Prior Year | (1,781,510) |

The issuance of long-term debt (e.g., bonds, leases) provide current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. The issuance of long-term debt increases long-term liabilities on the statement of net position and the repayment of principal reduces long-term debt on the statement of net position.

| | |
|--|-----------|
| Principal Payments on General Obligation Bonds | 5,115,000 |
| Principal Payments on Capital Leases | 102,293 |
| Amortization of Premium | 222,790 |

Governmental funds report District pension/OPEB contributions as expenditures when made. However, in the statement of activities, pension/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/OPEB, and the investment experience.

| | |
|----------------------------|-------------|
| Pension/OPEB Contributions | 7,070,759 |
| Pension/OPEB Expense | (9,862,337) |

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.

| | |
|--------------------------------|---------------|
| Change in Compensated Absences | (102,817) |
| Change in Inventory Balances | <u>16,759</u> |

| | |
|---|----------------------------|
| Change in Net Position of Governmental Activities | <u><u>\$ 2,717,076</u></u> |
|---|----------------------------|

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
STATEMENT OF FIDUCIARY FUND NET POSITION
JUNE 30, 2020

| | |
|-----------------------|-------------------------|
| | <u>Agency Fund</u> |
| Assets | |
| Current Assets | |
| Cash and Investments | <u>\$ 47,021</u> |
| Liabilities | |
| Current Liabilities | |
| Due to Student Groups | <u>\$ 47,021</u> |

See accompanying Notes to Basic Financial Statements.

NOTES TO BASIC FINANCIAL STATEMENTS

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Litchfield Elementary School District No. 79 (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.

A. Reporting Entity

The District is a special purpose government that is governed by a separately elected governing body. 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 funds of those organizational entities for which its elected governing board is financially accountable.

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.

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 and the fiduciary fund even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund.

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

The District reports the following major governmental funds:

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. 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.

The *Debt Service Fund* accounts for resources accumulated and used for the payment of long-term debt principal, interest, and related costs.

Additionally, the District reports the following fund type:

The *Agency Fund* is custodial in nature and does not present results of operations or a measurement focus and is described as follows:

The Student Activities Fund accounts for monies raised by students to finance student clubs and organizations but held by the District as an agent.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

Arizona Revised Statutes (A.R.S.) requires the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Bond Building and Debt Service Funds, which are invested separately. As required by statute, interest earned by the Bond Building and Debt Service Funds is recorded in the Debt Service Fund.

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.

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.

A.R.S. requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102% of the public deposits, less any applicable deposit insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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)

2. Restricted Cash and Investments

Unspent bond proceeds are restricted for voter-approved capital projects and improvements. The restricted cash and investments are reported separately to present the District's cash and investments that are restricted for these purposes.

3. Deposits

The District has \$90,496 in deposits with Mohave Educational Services Cooperative, Inc. (Mohave) through an agreement in which Mohave provides purchasing services for the food service program.

4. Property Taxes Receivable

Maricopa County levies real and personal property taxes on or before the third Monday in August that 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. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

5. Intergovernmental Receivable

Intergovernmental receivables account for federal and state grants earned, but not yet received at year-end and include federal grants in aid (\$189,932), state instructional improvement funds (\$266,782), state classroom site funds (\$447,427), state building renewal grants in aid (\$20,200), and state equalization and additional state aid (\$12,980,539).

6. Inventories

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

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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)

7. Interfund Receivables and 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.

8. Capital Assets

Capital assets, which include land, 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:

| | |
|------------------------------------|----------------|
| Buildings | 30 to 40 years |
| Improvements Other than Buildings | 10 to 30 years |
| Furniture, Equipment, and Vehicles | 5 to 15 years |

9. Deferred Outflows of Resources

The District recognizes the consumption of net position that is applicable to future reporting periods as deferred outflows of resources. The deferred outflows of resources reported in the government-wide financial statements consist of the differences between expected and actual experience, differences between projected and actual investment earnings, changes in the District's proportionate share, and the District's contributions to the District's pension and other postemployment benefits (OPEB) plans made subsequent to the measurement date of the pension and OPEB liability.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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)

10. Compensated Absences

The liability for compensated absences reported in the government-wide financial statements consists of unpaid, accumulated leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

11. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt and the premium are reported as other financing sources and discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures/expenses in the fund and government-wide financial statements, respectively.

12. Pension and Other Postemployment Benefit Plans

For purposes of measuring the net pension and other postemployment benefits (OPEB) assets and liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and OPEB, and pension and OPEB 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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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)

13. 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, 2020, or within 60 days of fiscal year-end. The deferred inflows of resources represent a reconciling item between the governmental fund and the government-wide financial statements.

The District also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to differences between expected and actual experience of pension and OPEB costs and changes in actuarial assumptions related to the estimation of the District's pension and OPEB liabilities.

14. 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. Net investment in capital assets is separately reported because the District reports all District assets which 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.

The government-wide financial statements report \$14,668,147 of restricted net position, none of which is restricted by enabling legislation.

15. Fund Balances

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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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)

15. Fund Balances (Continued)

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.

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 Governing Board can remove or change the constraints placed on committed fund balances. Commitments must be made or removed prior to the end of the fiscal year through formal board action.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The Governing Board has authorized the Executive Director of Finance 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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

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)

15. Fund Balances (Continued)

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

The District has classified its fund balances as follows:

| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---------------------------|-----------------------------|--------------------------|-----------------------------------|--------------------------------|
| Fund Balances: | | | | |
| Nonspendable: | | | | |
| Deposits | \$ - | \$ - | \$ 90,496 | \$ 90,496 |
| Inventories | 101,265 | - | 130,452 | 231,717 |
| | <u>101,265</u> | <u>-</u> | <u>220,948</u> | <u>322,213</u> |
| Restricted: | | | | |
| Instructional Improvement | - | - | 1,080,555 | 1,080,555 |
| Classroom Site | - | - | 3,632,605 | 3,632,605 |
| Federal and State Grants | - | - | 1,132,418 | 1,132,418 |
| Food Service | - | - | 1,618,103 | 1,618,103 |
| Other Special Revenues | | | | |
| Civic Center | - | - | 3,428,854 | 3,428,854 |
| Community School | - | - | 1,918,231 | 1,918,231 |
| Noninstructional Programs | - | - | 474,580 | 474,580 |
| Other | - | - | 257,668 | 257,668 |
| Capital Projects | - | - | 1,587,319 | 1,587,319 |
| Debt Service | - | 448,129 | - | 448,129 |
| | <u>-</u> | <u>448,129</u> | <u>15,130,333</u> | <u>15,578,462</u> |
| Unassigned | <u>39,396,379</u> | <u>-</u> | <u>-</u> | <u>39,396,379</u> |
| Total Fund Balance | <u><u>\$ 39,497,644</u></u> | <u><u>\$ 448,129</u></u> | <u><u>\$ 15,351,281</u></u> | <u><u>\$ 55,297,054</u></u> |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2020 consist of the following:

| | |
|---------------------------------------|-----------------------------|
| Deposits: | |
| Cash in Bank | \$ 1,637,289 |
| Investments: | |
| Cash on Deposit with County Treasurer | 47,337,404 |
| Total Deposits and Investments | <u>48,974,693</u> |
| Less: Restricted Cash and Investments | (1,477,316) |
| Less: Fiduciary Fund | (47,021) |
| Total Cash and Investments | <u><u>\$ 47,450,356</u></u> |

Deposits

The District's deposits at June 30, 2020 had a carrying value of \$1,637,289 and a bank balance of \$1,747,072. The bank balance was covered by federal depository insurance or collateral held by the financial institution in the District's name.

Investments

At June 30, 2020, the District's investments were reported at fair value. The District's investments included only cash on deposit with the County Treasurer.

Interest Rate Risk - In accordance with its investment policy, the District manages its exposure to declines in fair values by limiting the average maturity of its investment portfolio to one year or less.

Credit Risk - The District does not have a formal investment policy in regard to credit risk. However, the District is prohibited by State law from investing in investments other than 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.

Custodial Credit Risk - For an investment, this is the risk that, in the event of the failure of the counterparty, the District will be unable to recover the value of its investments or collateralized securities that are in the possession of a third party. The District does not have a formal investment policy in regard to custodial credit risk. However, the District's investments are not subject to custodial credit risk.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Restricted Cash and Investments

Restricted cash and investments at June 30, 2020 consisted of \$1,477,316 of unspent bond proceeds reported in the Bond Building Fund. The unspent bond proceeds are on deposit with the County Treasurer and are restricted to school improvements, construction, pupil transportation vehicles, equipment, and apparatus for the new schools and related bond issuance costs.

3. 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.

At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

| | <u>Unavailable</u> |
|--------------------------------------|------------------------------|
| Delinquent Property Taxes Receivable | |
| General Fund | \$ 1,742,105 |
| Debt Service Fund | 51,713 |
| Nonmajor Governmental Funds | <u>45,058</u> |
| Total | <u><u>\$ 1,838,876</u></u> |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

4. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|-----------------------|----------------------|------------------------|-----------------------|
| Governmental Activities: | | | | |
| Capital Assets, Not Being Depreciated: | | | | |
| Land | \$ 20,161,037 | \$ 2,400,000 | \$ - | \$ 22,561,037 |
| Construction in Progress | 17,221,929 | 2,341,882 | (19,216,469) | 347,342 |
| Total Capital Assets, Not Being Depreciated | 37,382,966 | 4,741,882 | (19,216,469) | 22,908,379 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 5,306,388 | 1,249,836 | - | 6,556,224 |
| Buildings and Building Improvements | 162,238,597 | 19,371,928 | (382,782) | 181,227,743 |
| Furniture, Equipment, and Vehicles | 12,460,492 | 1,856,673 | (133,331) | 14,183,834 |
| Total Capital Assets, Being Depreciated | 180,005,477 | 22,478,437 | (516,113) | 201,967,801 |
| Accumulated Depreciation for: | | | | |
| Land Improvements | (3,363,485) | (234,509) | - | (3,597,994) |
| Buildings and Building Improvements | (58,500,891) | (4,751,823) | 245,187 | (63,007,527) |
| Furniture, Equipment, and Vehicles | (6,431,912) | (1,006,158) | 128,790 | (7,309,280) |
| Total Accumulated Depreciation | (68,296,288) | (5,992,490) | 373,977 | (73,914,801) |
| Total Capital Assets, Being Depreciated, Net | 111,709,189 | 16,485,947 | (142,136) | 128,053,000 |
| Governmental Activities Capital Assets, Net | <u>\$ 149,092,155</u> | <u>\$ 21,227,829</u> | <u>\$ (19,358,605)</u> | <u>\$ 150,961,379</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|--|---------------------|
| Governmental Activities: | |
| Instruction | \$ 4,664,026 |
| Support Services: | |
| Students | 26,514 |
| Instructional Staff | 1,813 |
| General Administration | 2,705 |
| Business and Other Support Services | 166,673 |
| Operations and Maintenance of Plant | 76,317 |
| Student Transportation | 815,409 |
| Operation of Noninstructional Services | 239,033 |
| Total | <u>\$ 5,992,490</u> |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

5. Construction Commitments

At June 30, 2020, the District had active construction commitments for projects currently in progress. Those construction commitments are as follows:

| Project | Governmental Activities | |
|-----------------------------------|-------------------------|-------------------------|
| | Spent-to Date | Remaining Commitment |
| Energy Management | | |
| Dreaming Summit Elementary School | \$ 94,867 | \$ 11,586 |
| Verrado Elementary School | 119,367 | 6,109 |
| Mabel Padgett Elementary School | 105,367 | 10,729 |
| Total | <u>\$ 319,601</u> | <u>\$ 28,424</u> |

B. Interfund Receivables/Payables and Transfers

As of June 30, 2020 interfund receivable and payables were as follows:

| Due To | Due From |
|--------------|-----------------------------------|
| | Nonmajor Governmental Funds |
| General Fund | <u>\$ 703,540</u> |

The above interfund receivable and payable were recorded to reflect cash transfers between the General Fund and Nonmajor Governmental Funds to transfer indirect cost funds for the fiscal year ended June 30, 2020 and were the result of timing of the transfers (\$683,340) and to eliminate deficit cash in the nonmajor building renewal fund (\$20,200). The cash balances were transferred in fiscal year 2020-21 for the indirect costs and cash was received subsequent to June 30, 2020 in the building renewal fund to cover the deficit cash balance.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables/Payables and Transfers (Continued)

Interfund transfers for the year ended June 30, 2020 consisted of the following:

| Transfers In | Transfers Out | | |
|-----------------------------|-------------------|-----------------------------|-------------------|
| | General Funds | Nonmajor Governmental Funds | Total |
| General Fund | \$ - | \$ 683,340 | \$ 683,340 |
| Nonmajor Governmental Funds | 140,000 | - | 140,000 |
| Total | <u>\$ 140,000</u> | <u>\$ 683,340</u> | <u>\$ 823,340</u> |

The transfer from the General Fund to the Nonmajor Governmental Funds was recorded to make the required debt service payments due on the energy climate control systems lease.

The transfer from the Nonmajor Governmental Funds to the General Fund was made to record the indirect costs of federal grants. The Arizona Department of Education approved a maximum indirect cost rate of 3.09% restricted and 25.00% nonrestricted. The District did not exceed the maximum indirect cost rates during the fiscal year.

C. Line of Credit

The District has an available line of credit through direct borrowings in the amount of \$5,000,000 with a local financial institution. The District did not draw upon the line of credit during the fiscal year and had a balance due of \$-0- at June 30, 2020.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Obligations Under Leases

The District entered into a lease agreement as a lessee for financing the acquisition of energy efficient climate control systems. The lease agreement qualifies as a capital lease for accounting purposes and therefore, has been recorded at the net present value of future minimum lease payments as of the inception date. The utility cost savings generated from the implementation of the energy control systems will be used to fund the capital lease obligation. As of June 30, 2020, \$1,506,012 in assets has been purchased by the District and has been capitalized as buildings and improvements. Accumulated depreciation on the assets at June 30, 2020 is \$645,451.

The future minimum lease obligations and the net present value of lease payments through June 30, 2020 were as follows:

| <u>Year Ending June 30,</u> | <u>Governmental Activities</u> |
|---|------------------------------------|
| 2021 | \$ 130,527 |
| 2022 | 130,527 |
| 2023 | 130,527 |
| 2024 | 130,527 |
| 2025 | 130,527 |
| 2026-28 | 391,581 |
| Total Minimum Lease Payments | 1,044,216 |
| Less: Amount Representing Interest | (114,684) |
| Present Value of Minimum Lease Payments | <u>\$ 929,532</u> |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

The District has long-term bonds payable issued to provide funds for the acquisition and construction of major capital facilities. The outstanding bonds are being repaid from a secondary tax collected and recorded in the Debt Service Fund and the capital lease will be repaid from the Nonmajor Energy and Water Savings Fund. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds currently outstanding are as follows:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Maturity Dates</u> | <u>Amount Outstanding</u> |
|--|----------------------|-----------------------|---------------------------|
| School Improvement Bonds, Project 2006 Original Amount \$10,500,000 | 2.00-5.00% | 7/1/20-22 | \$ 4,200,000 |
| School Improvement Bonds, Project 2009 Original Amount \$10,325,000 | 2.00-5.00 | 7/1/20-23 | 6,605,000 |
| School Improvement Bonds, Series 2015 Original Amount \$15,675,000 | 2.00-4.00 | 7/1/20-30 | 13,575,000 |
| School Improvement Bonds, Series 2016 Original Amount \$6,000,000 | 1.00-3.50 | 7/1/20-30 | 3,955,000 |
| School Improvement Bonds, Series 2018 Original Amount \$14,760,000 | 2.00-4.00 | 7/1/20-30 | 12,885,000 |
| Total General Obligation Bonds Payable | | | <u>\$ 41,220,000</u> |

Changes in long-term obligations for the year ended June 30, 2020 are as follows:

| | <u>Beginning of Year</u> | <u>Additions</u> | <u>Retirements</u> | <u>End of Year</u> | <u>Due within One Year</u> |
|--------------------------|--------------------------|-------------------|-----------------------|----------------------|----------------------------|
| Governmental Activities: | | | | | |
| Bonds Payable: | | | | | |
| General Obligation Bonds | \$ 46,335,000 | \$ - | \$ (5,115,000) | \$ 41,220,000 | \$ 4,835,000 |
| Premium on Bonds | 2,112,001 | - | (222,790) | 1,889,211 | - |
| Total Bonds Payable | 48,447,001 | - | (5,337,790) | 43,109,211 | 4,835,000 |
| Other Liabilities: | | | | | |
| Capital Lease Obligation | 1,031,825 | - | (102,293) | 929,532 | 105,183 |
| Compensated Absences | 2,403,338 | 671,707 | (568,890) | 2,506,155 | 564,871 |
| Total Other Liabilities | 3,435,163 | 671,707 | (671,183) | 3,435,687 | 670,054 |
| Total Debt | <u>\$ 51,882,164</u> | <u>\$ 671,707</u> | <u>\$ (6,008,973)</u> | <u>\$ 46,544,898</u> | <u>\$ 5,505,054</u> |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Debt service requirements on long-term debt at June 30, 2020 are as follows:

| <u>Year Ending June 30,</u> | <u>Bond</u> | |
|-----------------------------|----------------------|---------------------|
| | <u>Principal</u> | <u>Interest</u> |
| 2021 | \$ 4,835,000 | \$ 1,552,625 |
| 2022 | 5,300,000 | 1,362,925 |
| 2023 | 5,705,000 | 1,142,925 |
| 2024 | 5,050,000 | 906,425 |
| 2025 | 5,395,000 | 738,175 |
| 2026-2030 | 14,935,000 | 1,732,475 |
| Totals | <u>\$ 41,220,000</u> | <u>\$ 7,435,550</u> |

NOTE 3 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 carries commercial insurance for all such risks of loss, including workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

B. Contingent Liabilities

Ground Lease - In January 2003, September 2003, August 2004, and December 2004, the District executed ground leases. The District granted a leasehold interest in a parcel of property to a bank (Trustee). The Trustee, in turn, leased the property to the Arizona School Facilities Board (SFB) by which the SFB is obligated to make lease payments to the Trustee, subject to receiving legislative appropriations, until the obligation to the Trustee is satisfied. Once the obligation to the Trustee is satisfied, all rights, title, and interest in the property (land and buildings) become the District's. However, if legislative appropriations are not received, the SFB is relieved of any subsequent obligation under the lease and the obligation is considered in default. In the event of default, the leases shall automatically terminate and the District agrees that it shall promptly surrender possession of the property to the Trustee.

The spread of novel strain of coronavirus (COVID-19) in 2020 has caused significant volatility in U.S. markets. There is significant uncertainty around the breadth and duration of business disruptions related to COVID-19, as well as its impact on the U.S. economy. The extent of the impact of COVID-19 on the District's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, and the impact on schools, employees and vendors, all of which are uncertain and cannot be determined at this time.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans

Cost-Sharing Pension and OPEB Plans

At June 30, 2020, the District reported the following related to pensions and OPEB to which it contributes:

| <u>Statement of Net Position and Statement of Activities</u> | ASRS Pension | ASRS OPEB | Governmental Activities |
|--|-----------------|--------------|----------------------------|
| Net Pension and OPEB Asset | \$ - | \$ 143,306 | \$ 143,306 |
| Net Pension and OPEB Liability | 74,232,761 | 335,598 | 74,568,359 |
| Deferred Outflows of Resources | 11,618,137 | 771,277 | 12,389,414 |
| Deferred Inflows of Resources | 5,056,155 | 368,313 | 5,424,468 |
| Pension and OPEB Expense | 9,570,425 | 291,912 | 9,862,337 |

Arizona State Retirement System

Plan Description - 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 is a component unit of the State of Arizona. 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:

| | <u>Before July 1, 2011</u> | <u>On or After July 1, 2011</u> |
|--|---|---|
| Years of Service and Age Required to Receive Benefit | Sum of Years and Age Equals 80 10 Years, Age 62 5 Years, Age 50* Any Years, Age 65 | 30 Years, Age 55 25 Years, Age 60 10 Years, Age 62 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

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

C. 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.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11% (11.94% for retirement and 0.17% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.11% (11.45% for retirement, 0.49% for health insurance premium benefit, and 0.17% for long-term disability) of the active members' annual covered payroll.

In addition, the District was required by statute to contribute at the actuarially determined rate of 10.41% (10.29% for retirement, 0.05% for health insurance premium benefit, and 0.07% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to ASRS would typically be fill.

The District's contributions to the pension plan, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2020 were \$6,685,400, \$286,100, and \$99,259, respectively.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

During the fiscal year ended June 30, 2020, the District paid for ASRS pension and OPEB contributions as follows: 80% from the General Fund and 20% from other funds.

Liability – The net asset and net liabilities were measured as of June 30, 2019. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2018, to the measurement date of June 30, 2019. The District's proportion of the net asset or net 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, 2019, and the change from its proportions measured as of June 30, 2018.

At June 30, 2020, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability

| | Net Pension/OPEB (Asset) Liability |
|----------------------------------|--|
| Pension | \$ 74,232,761 |
| Health Insurance Premium Benefit | (143,306) |
| Long-Term Disability | 335,598 |

The District's proportionate share of the net asset or net liability for the year ended 2019, and the change from its proportions measured as of June 30, 2018 were:

| | Proportion June 30, 2019 | Increase (Decrease) from June 30, 2018 |
|----------------------------------|-----------------------------|--|
| Pension | 0.51015% | 0.03240 |
| Health Insurance Premium Benefit | 0.51856 | 0.03456 |
| Long-Term Disability | 0.51516 | 0.03650 |

Expense – For the year ended June 30, 2020, the District recognized the following pension and OPEB expense.

| | Pension/OPEB Expense |
|----------------------------------|-------------------------|
| Pension | \$ 9,570,425 |
| Health Insurance Premium Benefit | 181,380 |
| Long-Term Disability | 110,532 |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Deferred Outflows/Inflows of Resources – At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

| | Pension | |
|--|-----------------------------------|----------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences Between Expected and Actual Experience | \$ 1,341,034 | \$ 13,956 |
| Changes of Assumptions or Other Inputs | 313,784 | 2,956,094 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 1,668,496 |
| Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions | 3,277,919 | 417,609 |
| Contributions Subsequent to the Measurement Date | 6,685,400 | - |
| Total | <u>\$ 11,618,137</u> | <u>\$ 5,056,155</u> |
| | Health Benefit Supplement | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences Between Expected and Actual Experience | \$ - | \$ 171,305 |
| Changes of Assumptions or Other Inputs | 281,823 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 186,360 |
| Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions | - | 892 |
| Contributions Subsequent to the Measurement Date | 286,100 | - |
| Total | <u>\$ 567,923</u> | <u>\$ 358,557</u> |
| | Long-term Disability | |
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences Between Expected and Actual Experience | \$ 39,649 | \$ - |
| Changes of Assumptions or Other Inputs | 50,205 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 7,159 |
| Changes in Proportion and Differences Between District's Contributions and Proportionate Share of Contributions | 14,241 | 2,597 |
| Contributions Subsequent to the Measurement Date | 99,259 | - |
| Total | <u>\$ 203,354</u> | <u>\$ 9,756</u> |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions and OPEB will be recognized as expenses as follows:

| <u>Year Ending June 30,</u> | <u>Pension</u> | <u>Health Insurance Premium Benefit</u> | <u>Long-Term Disability</u> |
|-----------------------------|----------------|---|---------------------------------|
| 2021 | \$ 238,226 | \$ (62,262) | \$ 9,694 |
| 2022 | (488,091) | (62,262) | 9,695 |
| 2023 | (320,422) | 17,213 | 16,678 |
| 2024 | 446,869 | 34,651 | 17,959 |
| 2025 | - | (4,074) | 15,298 |
| Thereafter | - | - | 25,015 |

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

| | |
|-----------------------------|--|
| Actuarial Valuation Date | June 30, 2018 |
| Actuarial Roll Forward Date | June 30, 2019 |
| Actuarial Cost Method | Entry Age Normal |
| Discount Rate | 7.5% |
| Projected Salary Increases | 2.7 - 7.2% for pensions/not applicable for OPEB |
| Inflation | 2.3% |
| Permanent Benefit Increase | Included for pensions/not applicable for OPEB |
| Mortality Rates | 2017 SRA Scale U-MP for pension and health insurance premium |
| Recover Rate | 2012 GLDT for long-term disability |
| Healthcare Cost Trend Rate | Not applicable |

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2016.

The long-term expected rate of return on ASRS plan investments was determined to be 7.50% 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.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The target allocation and best estimates of geometric 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 % | 6.09 % |
| Credit | 20 | 5.36 |
| Interest Rate Sensitive Bonds | 10 | 1.62 |
| Real Estate | 20 | 5.85 |
| Total | 100 % | |

Discount Rate – The discount rate used to measure the ASRS total pension/OBEB liability was 7.50%. 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 plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OBEB liability.

Sensitivity of the District's Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

| | 1% Decrease (6.5%) | Current Discount Rate (7.5%) | 1% Increase (8.5%) |
|---|-----------------------|------------------------------------|-----------------------|
| District's Proportionate Share of the | | | |
| Net Pension Liability | \$ 105,650,413 | \$ 74,232,761 | \$ 47,975,689 |
| Net Health Benefit Supplement Liability (Asset) | 725,913 | (143,306) | (883,924) |
| Net Long-Term Disability Liability | 371,416 | 335,598 | 300,867 |

ASRS Plan Fiduciary Net Position – Detailed information about the plans' fiduciary net position is available in the separately issued ASRS financial report.

Contributions Payable – The District's accrued payroll and employee benefits included \$-0- of outstanding pension and OPEB contributions amounts payable to ASRS for the year ended June 30, 2020.

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**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A**

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2020

| | Budgeted Amounts | | | Variance With |
|---|------------------|-----------------|---------------|---------------|
| | Original | Final | Actual | Final Budget |
| Revenues | | | | |
| Property Taxes | \$ - | \$ - | \$ 21,396,240 | \$ 21,396,240 |
| Intergovernmental | - | - | 50,540,926 | 50,540,926 |
| Investment Earnings | - | - | 100,338 | 100,338 |
| Other | - | - | (44,637) | (44,637) |
| Total Revenues | - | - | 71,992,867 | 71,992,867 |
| Expenditures | | | | |
| Regular Education | | | | |
| Instruction | 35,820,626 | 36,528,782 | 33,269,522 | 3,259,260 |
| Support Services - Students | 3,110,948 | 3,212,948 | 3,119,370 | 93,578 |
| Support Services - Instructional Staff | 2,071,219 | 2,179,219 | 1,905,430 | 273,789 |
| Support Services - General Administration | 826,371 | 776,371 | 727,465 | 48,906 |
| Support Services - School Administration | 3,170,213 | 3,170,213 | 3,018,845 | 151,368 |
| Support Services - Business and Other | 2,704,485 | 2,756,485 | 2,551,403 | 205,082 |
| Operations and Maintenance of Plant | 9,667,108 | 10,017,108 | 8,658,049 | 1,359,059 |
| Operation of Noninstructional Services | 1,200 | 600 | - | 600 |
| School-Sponsored Cocurricular Activities | 88,408 | 88,408 | 64,949 | 23,459 |
| School-Sponsored Athletics | 153,818 | 159,818 | 123,137 | 36,681 |
| Total Regular Education | 57,614,396 | 58,889,952 | 53,438,170 | 5,451,782 |
| Special Education | | | | |
| Instruction | 7,827,405 | 8,799,405 | 7,761,700 | 1,037,705 |
| Support Services - Students | 3,869,896 | 4,165,396 | 3,819,850 | 345,546 |
| Support Services - Instructional Staff | 598,669 | 668,219 | 617,485 | 50,734 |
| Support Services - General Administration | 174,515 | 178,115 | 175,385 | 2,730 |
| Support Services - School Administration | 126,212 | 126,312 | 94,134 | 32,178 |
| Support Services - Business and Other | 13,266 | 13,266 | 6,164 | 7,102 |
| Operations and Maintenance of Plant | 13,400 | 15,400 | 11,004 | 4,396 |
| Total Special Education | 12,623,363 | 13,966,113 | 12,485,722 | 1,480,391 |
| Pupil Transportation | | | | |
| Student Transportation Services | 3,873,504 | 3,873,504 | 3,587,140 | 286,364 |
| K-3 Reading | 591,777 | 597,530 | 597,500 | 30 |
| Total Expenditures | 74,703,040 | 77,327,099 | 70,108,532 | 7,218,567 |
| Excess (Deficiency) of Revenues Over Expenditures | (74,703,040) | (77,327,099) | 1,884,335 | 79,211,434 |
| Other Financing Sources (Uses) | | | | |
| Transfers Out | - | - | (140,000) | (140,000) |
| Net Change in Fund Balance | (74,703,040) | (77,327,099) | 1,744,335 | 79,071,434 |
| Fund Balance | | | | |
| Beginning of Year | - | - | 6,930,484 | 6,930,484 |
| Fund Balance for Inventories | - | - | 12,373 | 12,373 |
| End of Year | \$ (74,703,040) | \$ (77,327,099) | \$ 8,687,192 | \$ 86,014,291 |

See accompanying Notes to Required Supplementary Information Other Than MD&A.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION AND OPEB ASSET/LIABILITY
COST SHARING PENSION AND OPEB PLANS
LAST TEN YEARS

ASRS - Pension

| | Reporting Fiscal Year (Measurement Date) | | |
|--|---|----------------|----------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| District's Proportion of the Net Pension Liability | 0.510150% | 0.477750% | 0.485670% |
| District's Proportionate Share of the Net Pension Liability | \$ 74,232,761 | \$ 66,629,312 | \$ 75,657,919 |
| District's Covered Payroll | \$ 52,227,848 | \$ 47,487,001 | \$ 47,830,468 |
| District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 142.13% | 140.31% | 158.18% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 73.24% | 73.40% | 69.92% |

ASRS - Health Insurance Premium Benefit

| | Reporting Fiscal Year (Measurement Date) | | |
|---|---|----------------|----------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| District's Proportion of the Net OPEB Liability (Asset) | 0.518560% | 0.484000% | 0.489930% |
| District's Proportionate Share of the Net OPEB Liability (Asset) | \$ (143,306) | \$ (174,284) | \$ (266,718) |
| District's Covered Payroll | \$ 52,227,848 | \$ 47,487,001 | \$ 47,830,468 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | -0.27% | -0.37% | -0.56% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset) | 101.62% | 102.20% | 103.57% |

ASRS - Long-term Disability

| | Reporting Fiscal Year (Measurement Date) | | |
|---|---|----------------|----------------|
| | 2020 (2019) | 2019 (2018) | 2018 (2017) |
| District's Proportion of the Net OPEB Liability (Asset) | 0.515160% | 0.478660% | 0.486450% |
| District's Proportionate Share of the Net OPEB Liability (Asset) | \$ 335,598 | \$ 250,102 | \$ 176,327 |
| District's Covered Payroll | \$ 52,227,848 | \$ 47,487,001 | \$ 47,830,468 |
| District's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 0.64% | 0.53% | 0.37% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset) | 72.85% | 77.83% | 84.44% |

See accompanying Notes to Required Supplementary Information Other Than MD&A.

| Reporting Fiscal Year (Measurement Date) | | | |
|---|----------------|----------------|----------------|
| 2017 (2016) | 2016 (2015) | 2015 (2014) | 2014 (2013) |
| 0.472470% | 0.458590% | 0.437988% | 0.427241% |
| \$ 76,261,404 | \$ 71,431,652 | \$ 64,807,380 | \$ 71,026,060 |
| \$ 44,687,444 | \$ 42,321,907 | \$ 39,528,352 | N/A |
| 170.66% | 168.78% | 163.95% | N/A |
| 67.06% | 68.35% | 69.49% | N/A |

| Reporting Fiscal Year (Measurement Date) |
|---|
| 2017 (2016) |
| 0.004899% |
| \$ 141,666 |
| \$ 44,687,444 |
| 0.32% |
| N/A |

| Reporting Fiscal Year (Measurement Date) |
|---|
| 2017 (2016) |
| 0.486449% |
| \$ 174,812 |
| \$ 44,687,444 |
| 0.39% |
| N/A |

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN THE MD&A
SCHEDULE OF THE DISTRICT'S CONTRIBUTIONS
COST SHARING PENSION AND OPEB PLANS
LAST TEN YEARS

| ASRS - Pension | 2020 | 2019 | 2018 |
|--|------------------|------------------|------------------|
| Statutorily Required Contribution | \$ 6,685,400 | \$ 6,012,774 | \$ 5,134,959 |
| Contributions in Relation to the Statutorily Required Contribution | <u>6,685,400</u> | <u>6,012,774</u> | <u>5,134,959</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 61,661,995 | \$ 52,227,848 | \$ 47,487,001 |
| Contributions as a Percentage of Covered Payroll | 10.84% | 11.51% | 10.81% |
| ASRS - Health Insurance Premium Benefit | 2020 | 2019 | 2018 |
| Statutorily Required Contribution | \$ 286,100 | \$ 247,395 | \$ 207,283 |
| Contributions in Relation to the Statutorily Required Contribution | <u>286,100</u> | <u>247,395</u> | <u>207,283</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 61,661,995 | \$ 52,227,848 | \$ 47,487,001 |
| Contributions as a Percentage of Covered Payroll | 0.46% | 0.47% | 0.44% |
| ASRS - Long-term Disability | 2020 | 2019 | 2018 |
| Statutorily Required Contribution | \$ 99,259 | \$ 86,050 | \$ 75,375 |
| Contributions in Relation to the Statutorily Required Contribution | <u>99,259</u> | <u>86,050</u> | <u>75,375</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| District's Covered Payroll | \$ 61,661,995 | \$ 52,227,848 | \$ 47,487,001 |
| Contributions as a Percentage of Covered Payroll | 0.16% | 0.16% | 0.16% |

See accompanying Notes to Required Supplementary Information Other Than MD&A.

| <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|------------------|------------------|------------------|------------------|
| \$ 5,106,671 | \$ 4,799,916 | \$ 4,599,924 | \$ 4,224,528 |
| <u>5,106,671</u> | <u>4,799,916</u> | <u>4,599,924</u> | <u>4,224,528</u> |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 47,830,468 | \$ 44,687,444 | \$ 42,321,907 | \$ 39,528,352 |
| 10.68% | 10.74% | 10.87% | 10.69% |

| <u>2017</u> |
|----------------|
| \$ 263,749 |
| <u>263,749</u> |
| <u>\$ -</u> |
| \$ 47,830,468 |
| 0.55% |

| <u>2017</u> |
|---------------|
| \$ 66,158 |
| <u>66,158</u> |
| <u>\$ -</u> |
| \$ 47,830,468 |
| 0.14% |

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A
JUNE 30, 2020

NOTE 1 BASIS OF ACCOUNTING

The General Fund budgetary comparison schedule is prepared on the budgetary basis of accounting. See Note 3 on the next page for a reconciliation of the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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 Note 3 on next page for exception). 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 Note 1 in the basic financial statements for a 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.

No supplementary budgetary appropriations were necessary during the year.

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN THE MD&A
JUNE 30, 2020

NOTE 3 BUDGETARY COMPARISON SCHEDULE RECONCILIATION

For external reporting purposes, the General Fund includes revenues, expenditures, other financing sources, and uses and fund balances of other internally maintained funds. The General Fund, however, is budgeted based on the internally maintained General Fund and does not include the other internally maintained funds.

In addition, prepaid insurance was budgeted as an expenditure in the year in which it is paid. Consequently, the following reconciliation is necessary to reconcile the General Fund Budgetary Comparison Schedule to the Statement of Revenues, Expenditures, and Changes in Fund Balances.

| | 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 | \$ 79,218,526 | \$ 77,696,010 | \$ 543,340 | \$ 37,419,415 | \$ 39,497,644 |
| Non Maintenance and Operation Activity Included in General Fund | (7,225,659) | (7,642,497) | (683,340) | (24,086,943) | (24,353,445) |
| Current Year Prepaid Items | - | 6,457,007 | - | - | (6,457,007) |
| Items Prepaid in a Prior Fiscal Year that were Reported as Expenditures in the Current Year | - | (6,401,988) | - | (6,401,988) | - |
| Budgetary Comparison Schedule - General Fund | <u>\$ 71,992,867</u> | <u>\$ 70,108,532</u> | <u>\$ (140,000)</u> | <u>\$ 6,930,484</u> | <u>\$ 8,687,192</u> |

NOTE 4 COST SHARING PLAN

Information prior to the measurement date June 30, 2013 was not available. GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement No. 27*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), as amended by GASB Statement No. 85, *Omnibus 2017*, requires the District to present ten years of pension and OPEB information as required supplementary information. However, until a full ten years of trend data is compiled, the District will present information for only those years for which information is available.

**STATISTICAL SECTION
(UNAUDITED)**

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LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
ENROLLMENT (ADM)
LAST TEN FISCAL YEARS
(UNAUDITED)

| <u>Fiscal Year</u> | <u>ADM</u> | <u>Increase/ (Decrease)</u> | <u>Percent Change</u> |
|------------------------|------------|---------------------------------|---------------------------|
| 2019-20 | 10,881 | 208 | 1.95% |
| 2018-19 | 10,673 | (93) | -0.86% |
| 2017-18 | 10,766 | 24 | 0.22% |
| 2016-17 | 10,742 | 124 | 1.17% |
| 2015-16 | 10,618 | 70 | 0.66% |
| 2014-15 | 10,548 | 375 | 3.69% |
| 2013-14 | 10,173 | 332 | 3.37% |
| 2012-13 | 9,841 | 195 | 2.02% |
| 2011-12 | 9,646 | (78) | -0.80% |
| 2010-11 | 9,724 | 323 | 3.44% |

Source: Arizona Department of Education Resident Average Daily Membership Recap Day 1 through 100.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
NET ASSESSED AND ESTIMATED ACTUAL VALUATION OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
(UNAUDITED)

| Fiscal Year | Estimated Actual Valuation | Assessed Valuation | | Percent of Assessed Valuation of Estimated Actual Valuation | |
|----------------|-------------------------------|--------------------|------------------|---|-----------|
| | | Primary | Secondary | Primary | Secondary |
| 2019-20 | \$ 9,171,061,802 | \$ 902,684,659 | \$ 1,144,341,142 | 9.84 % | 12.48 % |
| 2018-19 | 8,384,535,866 | 819,761,974 | 1,038,122,141 | 9.78 | 12.38 |
| 2017-18 | 7,805,296,915 | 756,560,104 | 940,968,475 | 9.69 | 12.06 |
| 2016-17 | 7,259,879,120 | 703,245,154 | 860,154,054 | 9.69 | 11.85 |
| 2015-16 | 6,786,726,616 | 661,374,248 | 780,369,365 | 9.75 | 11.50 |
| 2014-15 | 5,639,986,190 | 619,728,002 | 652,775,053 | 10.99 | 11.57 |
| 2013-14 | 4,822,640,096 | 570,004,892 | 577,493,266 | 11.82 | 11.97 |
| 2012-13 | 5,901,935,374 | 579,584,448 | 584,148,304 | 9.82 | 9.90 |
| 2011-12 | 5,274,896,125 | 640,228,935 | 644,383,622 | 12.14 | 12.22 |
| 2010-11 | 6,302,727,958 | 754,076,852 | 782,205,291 | 11.96 | 12.41 |

Notes: Estimated Actual Valuations were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll and are presented net of the estimated actual value of exempt property.

Assessed Valuations were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll. Property has been assessed the following percentages of limited cash value for primary taxes and full cash value for secondary taxes as set forth in the Arizona Revised Statutes: mining property at 18%; utility property at 18%; railroad property at 15%; commercial and industrial property at 18%; residential property at 10%; and agricultural property at 15%.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
ASSESSED VALUATION BY PROPERTY CLASSIFICATION
LAST TEN FISCAL YEARS
(UNAUDITED)

NET LIMITED ASSESSED VALUATION BY PROPERTY CLASSIFICATION

| Fiscal Year | Mines, Utilities and Commercial | Agriculture and Vacant | Primary Residential Property | Lease or Rented Residential | Railroad and Airlines | Historical Property | Certain Government Property Improvements | Total |
|-------------|---------------------------------|------------------------|------------------------------|-----------------------------|-----------------------|---------------------|--|----------------|
| 2019-20 | \$ 146,494,216 | \$ 44,547,887 | \$ 517,428,655 | \$ 189,018,350 | \$ 82,344 | \$ 5,080,611 | \$ 32,596 | \$ 902,684,659 |
| 2018-19 | 124,348,501 | 42,677,930 | 479,236,166 | 168,331,682 | 78,776 | 5,050,475 | 38,444 | 819,761,974 |
| 2017-18 | 111,515,456 | 41,463,889 | 440,246,523 | 157,773,008 | 185,002 | 5,339,613 | 36,613 | 756,560,104 |
| 2016-17 | 105,747,613 | 39,751,681 | 402,490,506 | 149,600,345 | 188,920 | 5,431,869 | 34,220 | 703,245,154 |
| 2015-16 | 102,915,541 | 43,291,455 | 372,524,561 | 137,007,967 | 213,298 | 5,395,228 | 26,198 | 661,374,248 |
| 2014-15 | 98,551,915 | 41,706,756 | 352,905,743 | 121,451,807 | 229,838 | 4,850,631 | 31,153 | 619,727,843 |
| 2013-14 | 104,209,067 | 45,253,195 | 322,226,008 | 96,752,738 | 215,474 | 1,307,199 | 41,211 | 570,004,892 |
| 2012-13 | 111,862,116 | 46,253,154 | 361,213,618 | 60,034,070 | 213,297 | - | 8,193 | 579,584,448 |
| 2011-12 | 122,368,161 | 69,198,419 | 385,975,862 | 62,460,710 | 193,709 | - | 12,010 | 640,208,871 |
| 2010-11 | 141,289,936 | 99,368,514 | 446,938,977 | 66,274,689 | 204,736 | - | - | 754,076,852 |

Note: Assessed valuation amounts were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll.

SECONDARY ASSESSED VALUATION BY PROPERTY CLASSIFICATION

| Fiscal Year | Mines, Utilities and Commercial | Agriculture and Vacant | Primary Residential Property | Lease or Rented Residential | Railroad and Airlines | Historical Property | Government Property Improvements | Total |
|-------------|---------------------------------|------------------------|------------------------------|-----------------------------|-----------------------|---------------------|----------------------------------|------------------|
| 2019-20 | \$ 175,268,950 | \$ 80,392,641 | \$ 638,542,585 | \$ 243,505,072 | \$ 102,930 | \$ 6,485,949 | \$ 43,015 | \$ 1,144,341,142 |
| 2018-19 | 145,172,933 | 73,559,088 | 594,608,035 | 218,766,534 | 96,068 | 5,860,250 | 59,233 | 1,038,122,141 |
| 2017-18 | 128,947,038 | 70,496,582 | 536,180,479 | 198,641,099 | 217,650 | 6,436,893 | 48,734 | 940,968,475 |
| 2016-17 | 117,919,930 | 65,241,724 | 486,842,608 | 183,765,563 | 203,140 | 6,136,960 | 44,129 | 860,154,054 |
| 2015-16 | 107,434,385 | 56,231,915 | 444,823,523 | 166,224,039 | 217,650 | 5,408,805 | 29,048 | 780,369,365 |
| 2014-15 | 99,333,638 | 45,625,254 | 371,832,661 | 130,865,107 | 232,160 | 4,855,080 | 31,153 | 652,775,053 |
| 2013-14 | 104,462,543 | 49,992,902 | 322,769,345 | 98,689,207 | 217,651 | 1,320,408 | 41,211 | 577,493,266 |
| 2012-13 | 112,247,864 | 49,684,843 | 361,894,724 | 60,095,030 | 217,650 | - | 8,193 | 584,148,304 |
| 2011-12 | 122,858,257 | 72,491,100 | 386,323,148 | 62,481,457 | 217,650 | - | 12,010 | 644,371,612 |
| 2010-11 | 154,856,537 | 111,748,416 | 447,916,652 | 67,437,016 | 246,670 | - | - | 782,205,291 |

Note: Assessed valuation amounts were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
ASSESSMENT RATIOS
LAST FIVE FISCAL YEARS
(UNAUDITED)

| <u>Property Classification (a)</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> |
|--|-------------|-------------|-------------|-------------|-------------|
| Mining, Utilities, Commercial and Industrial | 18.50% | 18.00% | 18.00% | 18.00% | 18.00% |
| Agriculture and Vacant Land | 16.00 | 15.00 | 15.00 | 15.00 | 15.00 |
| Primary Residential Property | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Leased or Rented Residential | 10.00 | 10.00 | 10.00 | 10.00 | 10.00 |
| Railroads, Private Rail Cars, and Airlines | 15.00 | 14.00 | 14.00 | 14.00 | 15.00 |

Source: County Assessors Office

(a) Additional classes of property exist, but seldom amount to a significant portion of a municipal body's total valuation.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
PRINCIPAL TAXPAYERS
JUNE 30, 2020
(UNAUDITED)

| Taxpayer | Type of Property | 2019-20 Secondary Assessed Valuation | As percent of District's Secondary Assessed Valuation |
|--|--------------------------|---|---|
| Arizona Public Service Company | Gas and Electric Utility | \$ 18,308,636 | 1.60 % |
| Wigwam Joint Venture LP | Resort | 6,799,448 | 0.59 |
| FR PV 303 LLC | Distribution Center | 5,946,494 | 0.52 |
| Southwest Gas Corporation (T&D) | Gas and Electric Utility | 5,823,768 | 0.51 |
| FR PV 303 Phase 2 LLC | Distribution Center | 5,372,190 | 0.47 |
| First American Title Insurance Company TR 7854 | Shopping Center | 4,541,473 | 0.40 |
| Litchfield Park Service Water Company | Water and Sewer | 4,230,301 | 0.37 |
| Estrella Falls LLC | Shopping Center | 4,111,145 | 0.36 |
| Litchfield Park Service Company Sewer | Water and Sewer | 4,001,578 | 0.35 |
| BMB Real Estate Holdings LLC | Manufacture | 3,395,243 | 0.30 |
| Totals | | <u>\$ 62,530,276</u> | <u>5.47 %</u> |

Source: Maricopa County Assessor's Office.

Note: Assessed valuation amounts were obtained from the Arizona Department of Revenue Abstract of the Assessment Roll and the Maricopa County Assessor.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
REAL PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
(UNAUDITED)**

| Fiscal Year | Real Property Tax Levy | Collected to June 30 End of Tax Fiscal Year | | Collected as of June 30, 2020 | |
|-------------|---------------------------|--|------------------------|-------------------------------|------------------------|
| | | Amount | Percent of Tax Levy | Amount | Percent of Tax Levy |
| 2019-20 | \$ 33,239,923 | \$ 32,815,041 | 98.72 % | \$ 32,815,041 | 98.72 % |
| 2018-19 | 31,466,635 | 31,217,510 | 99.21 | 31,217,510 | 99.21 |
| 2017-18 | 26,356,929 | 24,888,823 | 94.43 | 26,354,575 | 99.99 |
| 2016-17 | 26,582,288 | 26,511,246 | 99.73 | 26,580,812 | 99.99 |
| 2015-16 | 25,361,703 | 25,039,680 | 98.73 | 25,359,042 | 99.99 |
| 2014-15 | 23,947,689 | 22,764,864 | 95.06 | 23,945,804 | 99.99 |
| 2013-14 | 22,679,607 | 21,477,190 | 94.70 | 22,677,346 | 99.99 |
| 2012-13 | 22,723,252 | 21,599,878 | 95.06 | 22,722,364 | 100.00 |
| 2011-12 | 20,792,256 | 19,659,028 | 94.55 | 20,554,540 | 98.86 |
| 2010-11 | 22,351,729 | 21,371,010 | 95.61 | 21,306,793 | 95.33 |

Source: Maricopa County Assessor's Office.

Notes: Real Property Tax Levies and Collections were obtained from the Maricopa County Treasurer.

Assessment and Collections: Under Arizona Law, the County Board of Supervisors is required to levy a tax in an amount sufficient to satisfy debt service requirements of each school district in the County. Real property taxes are levied and collected on property within a school district and certified by the County Treasurer on behalf of the school district.

Taxes Due: Real property taxes are payable in two 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. Delinquent taxes are subject to a penalty of 16% per annum, prorated at a monthly rate of 1.33%. Penalties for delinquent taxes are not included in the above collected figures.

Unsecured personal property taxes are not included in this schedule.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
PROPERTY TAX RATES PER \$100 OF ASSESSED VALUATION
LAST TEN FISCAL YEARS
(UNAUDITED)**

| <u>Fiscal Year</u> | <u>Primary</u> | <u>Secondary</u> | <u>Total</u> |
|--------------------|----------------|------------------|--------------|
| 2019-20 | 1.90 | 1.77 | 3.67 |
| 2018-19 | 1.97 | 1.88 | 3.85 |
| 2017-18 | 2.04 | 1.44 | 3.48 |
| 2016-17 | 2.25 | 1.57 | 3.82 |
| 2015-16 | 2.26 | 1.57 | 3.83 |
| 2014-15 | 2.33 | 1.45 | 3.78 |
| 2013-14 | 2.44 | 1.54 | 3.98 |
| 2012-13 | 2.31 | 1.58 | 3.89 |
| 2011-12 | 1.94 | 1.32 | 3.26 |
| 2010-11 | 1.62 | 1.30 | 2.92 |

Source: Maricopa County Assessor's Office.

Notes: Property Tax Rates were obtained from the Maricopa County Tax Levies and Rates.

**LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
DIRECT AND OVERLAPPING ASSESSED VALUATIONS
AND GENERAL OBLIGATION BONDED INDEBTEDNESS
JUNE 30, 2020
(UNAUDITED)**

| | Litchfield Elementary School District No. 79 |
|---|--|
| | <hr/> |
| Total Direct General Obligation Bonded Debt Outstanding and to be Outstanding | \$ 41,220,000 |
| Primary Assessed Valuation | 902,684,659 |
| Secondary Assessed Valuation | 1,144,341,142 |
| Estimated Net Full Cash Value | 9,171,061,802 |

Source: State and County Abstract of the Assessment Roll, Arizona Department of Revenue and Property Tax Rates and Assessed Values, Arizona Tax Research Association.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
DIRECT AND OVERLAPPING ASSESSED VALUATIONS AND TAX RATES
PER \$100 ASSESSED VALUATION
JUNE 30, 2020
(UNAUDITED)

| Overlapping Jurisdiction | 2019-20 Net Limited Assessed Valuation | 2019-20 Total Tax Rate Per \$100 Assessed Valuation |
|--|---|---|
| State of Arizona | \$ 66,154,632,834 | None |
| Maricopa County | 43,194,326,395 | 1.8575 (a) |
| Maricopa County Community College District | 43,194,326,395 | 1.3285 |
| Maricopa County Fire District Assistance Tax | 43,194,326,395 | 0.0095 |
| Maricopa County Special Health Care District | 43,194,326,395 | 0.3333 |
| Maricopa County Library District | 43,194,326,395 | 0.0556 |
| Maricopa County Flood Control District (b) | 39,558,003,840 | 0.1792 |
| Central Arizona Water Conservation District | 43,194,326,395 | 0.1400 |
| Buckeye Valley Volunteer Fire District | 146,248,089 | 4.5249 |
| Adaman Irrigation and Water Delivery District #36 | NA | 10.0400 / acre |
| McMicken Irrigation District | NA | 1.0562 / acre |
| Roosevelt Irrigation District | NA | 29.8100 / acre |
| Goodyear Community Facilities General District #1 | 128,892,161 | 0.8903 |
| Goodyear Community Utilities General District #1 | 381,577,175 | 0.9390 |
| Palm Valley Community Facilities District #3 | 104,879,935 | 0.6107 |
| Verrado Community Facilities District #1 | 109,299,071 | 3.9440 |
| Village at Litchfield Park Community Facilities District | 25,241,080 | 1.4497 |
| Electrical District #7 | 949,562,922 | 0.0081 |
| City of Avondale | 434,094,952 | 1.6543 |
| City of Buckeye | 496,102,577 | 1.8000 |
| City of Goodyear | 919,806,567 | 1.7332 |
| City of Litchfield Park | 86,846,460 | 0.0000 |
| Western Maricopa Education Center (West-MEC) (b) | 15,925,613,792 | 0.1634 |
| Agua Fria Union High School District No. 216 | 1,311,948,386 | 3.3298 |
| Litchfield Elementary School District No. 79 | 902,684,659 | 3.6716 |

(a) Includes the State Equalization Assistance Property Tax levied by the County.

(b) Excludes the personal property assessed value within the County.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT
JUNE 30, 2020
(UNAUDITED)

| Overlapping Jurisdiction | General Obligation Bonded Debt | Proportion Applicable to the District (a) | |
|---|---|--|------------------------------|
| | | Approximate Percent | Net Debt Amount |
| State of Arizona | None | 1.36% | None |
| Maricopa County | None | 2.09% | None |
| Maricopa County Community College District | \$ 250,065,000 | 2.09% | \$ 5,226,359 |
| Maricopa County Special Health Care District | 429,125,000 | 2.09% | 8,968,713 |
| Buckeye Valley Volunteer Fire District | 6,165,000 | 37.46% | 2,309,409 |
| Goodyear Community Facilities General District #1 | 7,070,000 | 69.50% | 4,913,650 |
| Goodyear Community Facilities Utilities General District #1 | 31,085,000 | 87.87% | 27,314,390 |
| Palm Valley Community Facilities District | 4,980,000 | 100.00% | 4,980,000 |
| Verrado Community Facilities District #1 | 29,605,000 | 84.33% | 24,965,897 |
| Village at Litchfield Park Community Facilities District | 1,960,000 | 100.00% | 1,960,000 |
| City of Avondale | 35,375,000 | 20.15% | 7,128,063 |
| City of Buckeye | None | 18.98% | None |
| City of Goodyear | 102,605,000 | 44.15% | 45,300,108 |
| City of Litchfield Park | None | 100.00% | None |
| Agua Fria Union High School District No. 216 | 132,210,000 | 68.80% | 90,960,480 |
| Western Maricopa Education Center (West-MEC) | 157,075,000 | 5.67% | 8,906,153 |
| Litchfield Elementary School District No. 79 | 41,220,000 | 100.000% | <u>41,220,000</u> |
| Net Direct and Overlapping General Obligation Bonded Debt | | | <u><u>\$ 274,153,222</u></u> |

Source: The various entities and Finance Department of Maricopa County

- (a) Utilizes the estimated percent of secondary assessed value of the indicated overlapping entity that lies within the district to the combined secondary assessed value of the overlapping municipal entity.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
DIRECT AND OVERLAPPING GENERAL OBLIGATION BONDED DEBT RATIOS
JUNE 30, 2020
(UNAUDITED)

| | Per Capita Bonded Debt Population Estimated at 89,407 | As Percent of District's 2019-20 Secondary Assessed Valuation | As Percent of District's 2019-20 Estimated Net Full Cash Value |
|--|---|--|---|
| Net Direct General Obligation Bonded Debt | \$ 461 | 3.60% | 0.45% |
| Net Direct and Overlapping General Obligation Debt | 3,066 | 23.96% | 2.99% |

Source: U.S. Census Bureau, American Community Survey Demographic and Housing Estimates: 2011.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
COMPUTATION OF LEGAL DEBT LIMITATIONS
JUNE 30, 2020
(UNAUDITED)

| | |
|------------------------------|-------------------------|
| Net Secondary Assessed Value | <u>\$ 1,144,341,142</u> |
|------------------------------|-------------------------|

Total District General Obligation and Refunding Bonds

| | |
|---|----------------|
| Debt Limitation - 15% of Net Secondary Assessed Value | \$ 171,651,171 |
|---|----------------|

Amount of Debt Applicable to Debt Limit:

| | |
|---------------------------|------|
| Class A Bonds Outstanding | \$ - |
|---------------------------|------|

| | |
|---------------------------|------------|
| Class B Bonds Outstanding | 41,220,000 |
|---------------------------|------------|

| | |
|--|-------------------|
| Total Amount of Debt Applicable to Debt Margin | <u>41,220,000</u> |
|--|-------------------|

| | |
|-------------------|-----------------------|
| Legal Debt Margin | <u>\$ 130,431,171</u> |
|-------------------|-----------------------|

Class B Bonds

| | |
|--|----------------|
| Debt Limit - 10% of Net Secondary Assessed Valuation | \$ 114,434,114 |
|--|----------------|

| | |
|--|------------|
| Debt Limit - \$1,500 Per Student Count | 16,321,500 |
|--|------------|

Amount of Debt Applicable to Debt Limit:

| | |
|--|---------------|
| Class B General Obligation Bonds Outstanding | \$ 41,220,000 |
|--|---------------|

| | |
|--------------------------------------|-------------------|
| Total Debt Applicable to Debt Margin | <u>41,220,000</u> |
|--------------------------------------|-------------------|

| | |
|-------------------|----------------------|
| Legal Debt Margin | <u>\$ 73,214,114</u> |
|-------------------|----------------------|

Source: Maricopa County Assessor's Assessment Roll and the District's records.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
ANNUAL DEBT SERVICE REQUIREMENTS OF
GENERAL OBLIGATION BONDED DEBT OUTSTANDING
JUNE 30, 2020
(UNAUDITED)

| Fiscal Year | Outstanding General Obligation Bonded Debt Service Requirements | | Total Debt Service Requirements |
|-------------|--|---------------------|---------------------------------------|
| | Principal | Interest | |
| 2020-21 | \$ 4,835,000 | \$ 1,552,625 | \$ 6,387,625 |
| 2021-22 | 5,300,000 | 1,362,925 | 6,662,925 |
| 2022-23 | 5,705,000 | 1,142,925 | 6,847,925 |
| 2023-24 | 5,050,000 | 906,425 | 5,956,425 |
| 2024-25 | 5,395,000 | 738,175 | 6,133,175 |
| 2025-26 | 2,785,000 | 580,675 | 3,365,675 |
| 2026-27 | 2,875,000 | 477,650 | 3,352,650 |
| 2027-28 | 3,005,000 | 347,525 | 3,352,525 |
| 2028-29 | 3,115,000 | 214,475 | 3,329,475 |
| 2029-30 | 3,155,000 | 112,150 | 3,267,150 |
| Totals | <u>\$ 41,220,000</u> | <u>\$ 7,435,550</u> | <u>\$ 48,655,550</u> |

Source: Litchfield Elementary School District.

Notes: The data in this table was obtained from the Debt Retirement Schedules.

LITCHFIELD ELEMENTARY SCHOOL DISTRICT NO. 79
SCHOOL FACILITIES
JUNE 30, 2020
(UNAUDITED)

| Facility | Grade Range |
|------------------------------------|----------------|
| Barbara B. Robey Elementary School | K-5 |
| Belen Soto Elementary School | K-8 |
| Corte Sierra Elementary School | K-5 |
| Dreaming Summit Elementary School | K-5 |
| Litchfield Elementary School | K-5 |
| L. Thomas Heck Middle School | 6-8 |
| Mabel Padgett Elementary School | K-5 |
| Palm Valley Elementary School | K-5 |
| Rancho Santa Fe Elementary School | K-5 |
| Scott Libby Elementary School | K-5 |
| Verrado Elementary School | K-5 |
| Verrado Heritage Elementary School | K-8 |
| Verrado Middle School | 6-8 |
| Western Sky Middle School | 6-8 |
| Wigwam Creek Middle School | 6-8 |
| White Tanks Learning Center | K-8 |

Source: Litchfield Elementary School District.

Litchfield Elementary School District

Uniform System of Financial Records Compliance Questionnaire

For Fiscal Year Ended June 30, 2020

Instructions

Arizona Revised Statutes (A.R.S.) §15-271 requires the Auditor General's Office to inform any school district failing to establish and maintain the requirements prescribed by the *Uniform System of Financial Records for Arizona School Districts* (USFR) that it has 90 days to correct the cited deficiencies. To assist the Auditor General's Office in determining whether a district has attained an acceptable degree of compliance with the requirements of the USFR, the audit firm must complete this USFR Compliance Questionnaire (CQ).

In addition, A.R.S. §§15-213(F) and 15-914(G) require districts to have a systematic review of their purchasing practices and average daily membership (ADM), respectively, performed in conjunction with their annual or biennial financial audit to determine whether the District is in compliance with the applicable procurement and student attendance laws and rules of the State of Arizona. The Procurement and Student attendance reporting questions included in the USFR CQ help districts meet these requirements.

The USFR prescribes the minimum internal control policies and procedures to be used by Arizona school districts for accounting, financial reporting, budgeting, attendance reporting, and various other compliance requirements. Audit Firms must gain an understanding of the District's internal controls and obtain appropriate audit evidence to complete the USFR CQ in accordance with the requirements prescribed below. The Auditor General's Office may reject those CQs not meeting the minimum requirements.

- Sufficient, appropriate evidence must be obtained annually for each question to satisfactorily determine whether the District has implemented procedures to comply with the USFR. The evidence must be included in the audit documentation to support the comments. If the evidence was obtained and documented during the financial statement audit, that evidence may be referenced to answer related questions. Click the “tooltip” next to the CQ question to get more information about USFR requirements and review procedures that must be considered to address the question's objective.
- Evidence may be obtained through test work, observation, examination, and client assertion. However, client assertion alone is not adequate evidence to support “Yes” answers on the CQ. Sufficient evidence of approval includes signatures or initials and dates.
- Population size should be considered in determining the number of items to test, and the items selected should be representative of the population. Also, additional instructions in the Credit cards, Procurement, and Student attendance reporting sections prescribe minimum sample sizes that must be used for specific questions. Population and samples sizes used for test work should be entered in the fields provided next to the related question.
- The number of items tested must be sufficient to determine whether a deficiency was the result of an isolated incident or a recurring problem. Therefore, testing 1 transaction, record, or item is not sufficient.
- The sample size should be expanded if the Audit Firm cannot clearly determine whether the District complied with the USFR on that question.
- For questions related to the establishment of policies and procedures, the Audit Firm must gain an understanding of the District's internal controls and perform sufficient test work to determine that the procedures were implemented, followed, and systematically communicated to employees.
- For Governing board/management procedures question 4, the Audit Firm should confirm management's appropriate action to resolve all allegations of theft, fraud, or misuse of District monies or assets by either examining copies of the incident reports or communicating with the agency involved in investigating the allegations. The Audit Firm should also consider if the District's internal controls failed to prevent or detect the theft, fraud, or misuse and include a deficiency in the USFR compliance area where the control failed.
 - If the Audit Firm determines that District management was aware of allegations but did not appropriately resolve them in a timely manner (e.g., no action was taken; actions were not documented; actions were delayed, inadequate, or inappropriate to the circumstances), the Audit Firm should answer the question “No.” This includes instances where an external investigation is underway for allegations but District Management did not request the investigation, was not fully cooperating with the investigators, or was not otherwise attempting to resolve the allegations.
 - If the Audit Firm determines that District management was not aware of any allegations (based on inquiry, review of Governing Board minutes, search of local media coverage, and results of audit test work), the question should be answered “N/A.”
 - If the Audit Firm finds evidence of theft, fraud, or misuse of District assets but does not find evidence that District management was aware of the possible theft, fraud, or misuse, the Audit Firm should report the incident to the Auditor General's Office, and answer this question “N/A.”
- A “Yes” answer indicates that the Audit Firm has determined that the District appears in compliance with the USFR on that question and a “No” answer indicates the District does not comply. However, the final determination of compliance on each question, as well as overall compliance with the USFR, is made by the Auditor General's Office based on the evidence presented in the questionnaire, audit reports, the audit documentation, and any other sources of information available.
- The Audit Firm must adequately explain all “No” answers in the comment box below the question. Deficiencies must be described in sufficient detail to enable the Auditor General's Office to determine the nature and significance of the deficiency for: (a) assessing compliance with the USFR, (b) appropriately describing the deficiency in a report, and (c) testing compliance during a status review. The

description should include the number of items tested and the number of exceptions noted, or dollar amount of the error, and any other relevant information that would provide context for the deficiency.

- The Audit Firm must adequately explain all “N/A” answers in the comment box below the question, unless the reason for the N/A is obvious.
- Cash and revenues questions apply to all the District's cash and revenue, including food service, auxiliary operations, extracurricular activities fees tax credit, and student activities receipts and bank accounts. Comments for “No” answers to these questions should indicate the type of receipt or bank account to which the deficiency applies.
- The questions in the CQ do not address all requirements of the USFR. If the Audit Firm is aware of noncompliance with a requirement of the USFR that is not addressed in the CQ, including the School District Procurement Rules and the Arizona Department of Education’s (ADE) membership and attendance guidelines, the Audit Firm should include the compliance findings in its reports issued in accordance with *Governmental Auditing Standards and Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*, as applicable.

The Audit Firm must make the resulting audit documentation supporting the Audit Firm's answers on the CQ available on request for the Auditor General's Office and the ADE’s review. To facilitate this review, the Audit Firm should include in the audit documentation a copy of the CQ with references to the audit procedures performed for each question.

As required by A.R.S. §§15-914(D), Audit Firms must submit the completed USFR CQ with the audit reporting package to the Auditor General’s Office and the District’s county school superintendent’s office, and ADE Grants Management, as applicable. Once the Audit Firm has completed, reviewed, and signed the CQ, it must submit it electronically to the Auditor General’s Office by following the instructions at the end of the CQ. Audit Firms should print the file to PDF to create the CQ document to distribute to the District, the county school superintendent’s office, and ADE Grants Management.

Governing board/management procedures

Objective: To determine whether the governing board and District management have established and implemented certain procedures as required by statute.

1. The District held governing board meetings in accordance with [A.R.S. §§38-431 to 38-431.09](#), and prepared and retained written minutes and/or recordings.
- Yes

2. The District annually provided guidance to all governing board members and employees on what constitutes a substantial interest and that the conflict-of-interest statutes apply to all District governing board members and employees. [A.R.S. §38-502](#) and [A.R.S. §38-509](#)
- Yes

3. The District annually obtained conflict-of-interest (COI) forms that adequately allowed governing board members and employees to fully disclose a conflict of interest in any contract, sale, purchase, or service, and prior to accepting the forms, management reviewed the information to ensure governing board members and employees properly completed the form and sufficiently disclosed the required information. [A.R.S. §38-502](#)
- Yes

No conflicts of interest noted.

4. The District maintained, for public inspection, a special file with all documents necessary to memorialize all conflict-of-interest disclosures. [A.R.S. §38-509](#)

Yes

5. Employees or governing board members with reported conflicts, except as provided in [A.R.S. §15-323](#), refrained from voting upon or otherwise participating in any manner in that purchase. [A.R.S. §38-502\(11\)](#) and [A.R.S. §38-503\(B\)](#).

N/A

No conflicts of interest noted.

6. The District's management notified the Auditor General's Office and appropriately resolved all allegations of theft, fraud, or misuse of District monies and assets in a timely manner.

N/A

No allegations of theft, fraud or misuse of District monies.

7. The governing board established written personnel and payroll policies and approved employee contracts that included salary and wage schedules, and any other agreed-upon terms of employment.

Yes

8. The governing board annually appointed a student activities treasurer and, if applicable, assistant student activities treasurers. [A.R.S. §15-1122](#)

Yes

9. The governing board received monthly Student Activities Fund Reports of Cash Receipts, Disbursements, Transfers, and Cash Balances that were accurately prepared. [A.R.S. §15-1123](#)

Yes

10. The governing board obtained voter approval to construct buildings and purchase or lease school sites, unless otherwise exempted by [A.R.S. §15-342\(25\)](#).

N/A

No current year voter approved bonds were issued.

Budgeting

Objective: To determine whether the District's budget preparation processes ensure that the District properly allocates the monies it receives, stays within those budgets, and accurately informs the public about the use of those monies.

1. The budget included all funds as required by [A.R.S. §15-905](#) and followed the form's [Budget Submission and Publication Instructions](#).

Yes

2. Total budgeted expenditures on the adopted budget for the Maintenance and Operation (M&O) and Unrestricted Capital Outlay Funds (UCO) were less than or equal to the budgeted amounts on the published proposed budget. [A.R.S. §15-905\(E\)](#)

Yes

3. Total budgeted expenditures on the adopted budget for the M&O Fund and UCO Fund were within the general budget limit and the total budgeted expenditures. If not, and ADE notified the District, the District followed the requirements of [A.R.S. §15-905\(E\)](#).

Yes

4. The District completed its revised expenditure budget before May 15 and filed it electronically with the county school superintendent (CSS) and the Superintendent of Public Instruction by May 18. [A.R.S. §15-905\(I\)](#)

Yes

The revised expenditure budget was submitted to ADE and the CSS on 6/10/20 and 6/17/20, respectively, which was prior to the extended deadline provided as a result of the pandemic.

5. The District reduced the budget by the prior year's overexpenditure (or a portion of the prior year's overexpenditure, as approved by the Superintendent of Public Instruction) or the District committed to correcting its prior year's data. [A.R.S. §15-905\(M\)](#) and [A.R.S. §15-915](#)

N/A

The District did not have a prior year overexpenditure.

Accounting records

Objective: To determine whether the District accurately maintains accounting records to provide support for financial information. Test work should indicate the procedures performed to document what processes and controls the District has in place to reduce the risk of undiscovered errors that would affect the reliability of information reported to the public and oversight agencies, such as tracing detailed source documents to the District's trial balance that agree to the financial statements.

1. The District coded transactions in accordance with the [USFR Chart of Accounts](#).

Yes

2. The District separated responsibilities to initiate, approve, and record journal entries and transfers so that 1 individual did not have complete authority over a transaction.

Yes

3. The District sequentially numbered journal entries, and retained supporting documentation and evidence the journal entry was signed, dated, and approved by someone other than the preparer.

Yes

Population

150

Sample

5

4. The District transferred monies only between funds listed in the [USFR §III Chart of Accounts–Authorized Transfers](#).

Yes

5. The District documented and dated a monthly review of financial transactions the CSS initiated (i.e., revenue or journal entries) for propriety and researched and resolved any differences.

Yes

6. The District reconciled cash balances by fund monthly with the CSS or county treasurer's records, and properly supported, documented, and dated the reconciliations.

Yes

7. The District reconciled revenues, expenditures, expenses, and cash balances (as applicable) by fund, program, function, and object code at least at fiscal year-end with the CSS or county treasurer's records, and the reconciliation was reviewed and properly supported.

Yes

8. The District prepared reports that reconciled sales to cash collected at student activities events.

Yes

Cash and revenue

Objective: To determine whether the District maintained controls over cash transactions to safeguard monies, protect employees involved in handling monies from accusations of misuse, and reduce the risk of theft or loss. Test work for cash and revenue should document how the processes work, employees involved in those processes, and how the processes were verified.

1. The District closed any bank accounts that were inactive or not authorized by statute.

N/A

The District did not have any inactive or unauthorized accounts.

2. The District used an M&O Fund revolving bank account in accordance with [A.R.S. §15-1101](#).

Yes

3. The District used miscellaneous receipts clearing bank account(s) in accordance with [A.R.S. §15-341\(A\)\(20\)](#).

Yes

4. The District used a Food Service Fund clearing bank account(s) in accordance with Arizona Attorney General Opinion I60-35.

Yes

5. The District used a Food Service Fund revolving bank account in accordance with [A.R.S. §15-1154](#).

N/A

The District did not have a food service revolving bank account.

6. The District used an Auxiliary Operations Fund bank account in accordance with [A.R.S. §15-1126](#).

Yes

7. The Auxiliary Operations Fund bank or treasurer account deposits included all monies raised in connection with the activities of school bookstores and athletics and were supported by appropriate documentation. [A.R.S. §15-1126](#)

Yes

Population

250

Sample

15

8. The extracurricular activities fees tax credit monies were included in the Auxiliary Operations Fund and/or separately accounted for in a Extracurricular Activities Fees Tax Credit Fund.

Yes

9. The District used the Auxiliary Operations Fund revolving bank account(s) in accordance with [A.R.S. §15-1126](#).

N/A

The District did not have an auxiliary operations revolving bank account.

10. The District used the Student Activities Fund bank account(s) in accordance with [A.R.S. §15-1122](#).

Yes

11. The Student Activities Fund monies were deposited in a bank or treasurer account designated as the Student Activities Fund account.

Yes

12. The Student Activities Fund deposits were properly supported and included only student clubs' and organizations' monies that were raised through the efforts of students with the approval of the governing board.

Yes

Population

250

Sample

15

13. The District used the Student Activities Fund revolving bank account in accordance with [A.R.S. §15-1124](#).

N/A

The District did not have a student activities revolving bank account.

14. The District used the federal payroll tax withholdings bank account in accordance with USFR page VI-H-6.

Yes

15. The District used the State income tax withholdings bank account in accordance with [A.R.S. §15-1222](#).

Yes

16. The District used the employee insurance programs withholdings bank account(s) in accordance with [A.R.S. §15-1223](#).

Yes

17. The District used the payroll direct deposits clearing bank account in accordance with [A.R.S. §15-1221](#).

Yes

18. The District used the electronic payments clearing bank account in accordance with [A.R.S. §15-1221](#).

N/A

The District did not have an electronic payments clearing bank account.

19. The District used the grants and gifts to teachers bank account in accordance with [A.R.S. §15-1224](#).

N/A

The District did not have a grants and gifts to teachers bank account.

20. The District used the principals' supplies bank account(s) in accordance with [A.R.S. §15-354](#).

N/A

The District did not have a principals' supplies bank account.

21. The use of debit cards was prohibited as a payment method associated with any District bank account.

N/A

The District did not have any transactions that would appear to be used as a debit card and management represented that debit cards were not used.

22. The District paid bank charges from only the M&O Fund revolving bank account, Food Service Fund revolving bank account, Auxiliary Operations Fund bank account, and Auxiliary Operations Fund revolving bank account(s) or, if not, the bank charges were reimbursed from an appropriate District fund or bank account.

N/A

No bank fee charges were noted.

23. The District separated responsibilities for cash-handling and recordkeeping among employees (i.e., receiving, depositing, and recording revenues), to safeguard monies.

Yes

24. The District adequately supported deposits with issued receipts, cash receipt summary reports, mail logs, etc., and reconciled sales to amounts collected with summary reports or ticket logs.

Yes

Sample

72

25. The District's deposits were made in a timely manner and supported by deposit slips or other deposit transmittal supporting documentation.

Yes

Sample

72

26. The District's deposits and cash balances with the county treasurer were reconciled.

Yes

27. The District retained supporting documentation for disbursements from bank accounts.

Yes

Sample

55

28. The District safeguarded unused checks.

Yes

29. The District safeguarded signature stamps, signature plates, and electronic or digital signatures used for approving accounting transactions, checks, and other District documents to ensure that access was limited to only the employee whose signature they represented.

N/A

The District did not use signature stamps, signature plates or electronic or digital signatures.

30. All District bank accounts were reconciled monthly by an employee not involved with cash handling or issuing checks, or reconciliations were reviewed, signed, and dated by an employee independent of the cash-handling process.

Yes

2/4/2021Confirmation - USFR CQ

31. The District tracked and reconciled the number of meals sold to the total cash collected per day.

Yes

Supplies inventory

Objective: To determine whether the District has controls in place to help physically safeguard and report inventories to prevent theft, overstocking, understocking, spoilage, and obsolescence.

1. The District physically safeguarded supply inventories to prevent unauthorized use, theft, damage, and obsolescence and enable accurate financial reporting.

Yes

Property control

Objective: To determine whether the District has effective controls to safeguard property from theft and misuse since significant resources are invested in acquiring and maintaining District property. Test work should be completed on a sample basis annually and documented to ensure that land, buildings, and equipment are properly valued, classified, and reported on the stewardship and capital assets lists.

1. The District maintained a capital assets list that included all required information listed in the USFR for all land, land improvements, buildings, building improvements, and equipment with costs that exceed the District's adopted capitalization threshold. USFR page VI-E-3

Yes

2. The District had security controls in place to help prevent theft, loss, unauthorized use, or damage to District property.

Yes

3. The District recorded additions on the capital assets list and reconciled capitalized acquisitions to capital expenditures at least annually.

Yes

4. The District's stewardship list for items costing at least \$1,000 but less than the District's capitalization threshold included the location, identification number, and description, and was updated for any acquisition, transfer, or disposal.

Yes

5. The District properly tagged assets and updated asset lists.

Yes

6. The District reconciled the current year's June 30 capital assets list to the previous year's June 30 list.

Yes

7. The District performed a physical inventory of all equipment at least every 3 years and reconciled the inventory results to the stewardship and capital assets lists upon completion.

Yes

Data Entry

10/1/2019

8. The governing board approved stewardship and capital asset items disposed of during the fiscal year, and the assets were removed from the corresponding list and disposed of in accordance with Arizona Administrative Code (A.A.C.) R7-2-1131(C).

Yes

Data Entry

5/12/2020

Expenditures

Objective: To determine whether the District has effective controls for expenditures in place to ensure expenditures are for an allowable District purpose. Test work should document processes and controls that demonstrate expenditure transactions are properly approved, are for an amount within budget capacity or available cash, and protect employees from allegations of misuse.

1. The District separated responsibilities for expenditure processing among employees (i.e., voucher preparation, recordkeeping, and authorization).

Yes

2. The District monitored budget capacity in budget-controlled funds and cash balances in cash-controlled funds before approving purchase orders (PO) and authorizing expenditures, except as authorized in [A.R.S. §15-207](#), [A.R.S. §15-304](#), [A.R.S. §15-907](#), and [A.R.S. §15-916](#).

Yes

3. The District's expenditures were made only for allowable District purposes, properly satisfied the specific purposes required for any restricted monies spent, and were adequately supported by documentation required by the USFR.

Yes

Sample

4. The District's extracurricular activities fees tax credit monies were expended only for eligible activities that qualified under [A.R.S. §43-1089.01](#) and [A.R.S. §15-342\(24\)](#).

Yes

Population

900

Sample

15

5. The District's Student Activities Fund disbursements and transfers of monies among student clubs were issued only when cash was available in the student club account and properly authorized by or on behalf of the student members of a particular club and documented in the club minutes.

Yes

6. The District's invoices were periodically compared to awarded contracts, including cooperative contracts, to verify billing amounts were correct and the contract terms and conditions were being met.

Yes

7. The District prepared an Advice of Encumbrance for levy funds with the list of liabilities for goods or services received but not paid for by June 30, including payroll, and filed it with the CSS by July 18. [A.R.S. §15-906](#) (Districts authorized by [A.R.S. §15-914.01](#) to participate in the Accounting Responsibility Program should perform the duties as described in [A.R.S. §15-304](#).)

8. The District properly prepared the Career Technical Education District (CTED) Supplanting worksheet and adequately supported that monies received from a CTED were used only for vocational education and to supplement, rather than supplant, the District's base year vocational education spending. [A.R.S. §15-393](#)

The District did not have a CTED program.

9. The District retained fully executed copies of each intergovernmental agreement (IGA) and payments for services were made or received, as applicable. [A.R.S. §11-952](#)

Travel

Objective: To determine whether the District implemented effective controls to ensure employees were traveling for District purposes and appropriately compensated.

1. The District's travel expenditures (lodging, meals, and incidentals) and mileage reimbursements were for District purposes and reimbursed within the maximum reimbursement amounts established by the Director of Arizona Department of Administration. Amounts were reimbursed or reported as a taxable employee benefit if no overnight stay or no substantial sleep/rest occurred, in accordance with governing board prescribed policies and procedures.

Population

122

Sample

15

Credit cards and p-cards

Objective: To determine whether the District has implemented effective controls over credit card and purchasing card (p-card) purchases to help reduce the risk of misuse and unapproved or fraudulent transactions.

1. The District used credit cards.

Yes

Data Entry

2 Cards with Wells Fa

2. The District used p-cards.

No

Data Entry

N/A

3. The District ensured different employees were responsible for issuing cards; requesting, authorizing, and executing purchases; and payment processing.

Yes

4. The District issued and tracked possession of all District credit cards and trained employees who make credit card purchases or process transactions on the District's policies and procedures.

Yes

5. The District recovered cards immediately from terminated employees.

N/A

No employees were terminated during the fiscal year that had a credit card.

6. The District's management periodically reviewed purchases for unauthorized vendors and purchases over approved limits and/or purchases that circumvent the procurement rules and District policies.

Yes

7. The District ensured someone other than a card user reconciled credit card and p-card supporting documentation and billing statements.

Yes

8. The District's card purchases were only for authorized District purposes, within the dollar limits authorized for the employee, and supported by valid receipts or transaction logs that clearly identify the employee making the purchase.

Yes

9. The District paid credit card and p-card statements before the due date to avoid finance charges and late fees.

Yes

Procurement

Objective: To determine whether the District followed the School District Procurement Rules and USFR purchasing guidelines to promote fair and open competition among vendors that helps ensure the District is getting the best value for the public monies it spends.

1. The District obtained at least 3 written quotes for purchases costing at least \$10,000, but less than \$100,000 and followed the guidelines prescribed by the USFR.

Yes

Population

37

Sample

18

2. The District properly procured expenditures that individually or cumulatively totaled over \$100,000.

Yes

3. The District maintained a list of prospective bidders. R7-2-1023

Yes

4. The District issued solicitations for invitation for bids (IFB) or request for proposals (RFP) during the fiscal year.

Yes

5. The District published and, as applicable, provided other adequate notice of the issuance of solicitations. R7-2-1022, R7-2-1024(C), or R7-2-1042(C)

Yes

Population

7

Sample

7

Data Entry

4 IFBs and 3 RFPs

6. The District issued solicitations at least 14 days before the time and date set for bid opening or the closing date and time for receipt of bids or proposals. R7-2-1024(A) or R7-2-1042(B)

Yes

7. The District included all required content in the solicitation, as applicable. R7-2-1024(B) or R7-2-1042(A)

Yes

8. The District recorded the time and date that sealed bids or proposals were received and stored bids or proposals unopened until the time and date set for opening. R7-2-1029 or R7-2-1045

Yes

9. If the District awarded multiple contracts, it established and followed procedures for the use and award of multiple contracts. R7-2-1031(D) and R7-2-1050(C)

Yes

10. The District awarded contracts according to R7-2-1031, R7-2-1032, R7-2-1046(A)(1), or R7-2-1050 and retained documentation to support the award(s).

Yes

11. If the District procured construction projects that used construction-manager-at-risk, design-build, or job-order-contracting to procure construction services, it complied with the requirements of R7-2-1100 through R7-2-1115.

Yes

12. The District's procurement files contained signed procurement disclosure statements for all employees with job responsibilities related to each procurement and for all nonemployee consultants or technical advisors involved in each procurement process. R7-2-1008(C) and R7-2-1015

Yes



13. The District's procurement files included applicable written determinations as required throughout the procurement rules.

Yes



14. The District followed [A.R.S. §15-213](#), and R7-2-1093 for the use of multi-term contracts.

Yes



15. The District followed R7-2-1117 through R7-2-1123 for contracts for specified professional services.

N/A



No contracts were awarded for specified professional services.

16. The District's procurement files included the required information, as applicable. R7-2-1001(96)

Yes



17. The District provided training and guidance related to restrictions on soliciting, accepting, or agreeing to accept any personal gift or benefit with a value of \$300 or more. [A.R.S. §15-213\(N\)](#) and R7-2-1003 (Effective for all procurements July 1, 2020 and thereafter.)

N/A



Not applicable for the current year.

18. The District used only school district purchasing cooperatives contracts from cooperatives it was a member of or used only lead district contracts that it was listed as a member of in the solicitation or ensured its additional purchases would not have materially increased the volume stated in the original solicitation. R7-2-1191 through R7-2-1195

Yes



19. The District performed due diligence to support the use of each cooperative or lead district contract the District made purchases from during the audit period.

Yes

Population

166

Sample

10

Data Entry

Mohave, TCPN, GPP!

20. The District prepared written determinations for any specified professional services, construction, construction services, or materials purchased through a school purchasing cooperative, including how the determination to use the contract was made. R7-2-1004

Yes

21. The District, when acting as a lead district in a procurement, followed the procurement procedures required for competitive sealed bidding or competitive sealed proposals, as applicable, and considered the total estimated volume of purchases for all public procurement units identified in the solicitation. R7-2-1011

N/A

The District was not the lead District in a purchasing cooperative.

Population

0

Sample

0

Data Entry

N/A

22. For all emergency procurements, the District retained a written statement documenting the basis for the emergency, the selection of the particular contractor, and why the price paid was reasonable, and this statement was signed by the individual authorized to initiate emergency procurements. R7-2-1055 and R7-2-1056

N/A

No emergency procurements during the year.

23. The District's governing board approved all sole-source procurements before any purchases were made, and the written determinations were retained in the procurement files. R7-2-1053

Yes

24. For any purchase of services from governing board members or goods or services from District employees, regardless of the expenditure amount, the District followed the School District Procurement Rules, except as authorized by [A.R.S. §15-323](#).

N/A

No purchases of services from governing board members or goods or services from District employees.

25. The District followed the School District Procurement Rules for purchases of any supplies, materials, and equipment from governing board members if the purchase exceeded \$100,000, or followed the guidelines for written quotes if below the threshold. [A.R.S. §38-503](#)

N/A

▼

No purchases of supplies, materials or equipment from governing board members during the fiscal year.

26. For purchases the District made from General Services Administration (GSA) schedules 70-IT and 84-Law Enforcement, the governing board first authorized the contracts in writing. [A.R.S. §15-213\(K\)](#) and R7-2-1196(C)

N/A

▼

The District did not have any purchases under General Services Administration contracts.

Classroom site fund

Objective: To determine whether the District appropriately spent these State sales tax revenues for teacher pay and programs to support students, such as class size reduction, dropout prevention, and tutoring, as allowed by law.

1. The District's total Classroom Site Fund (CSF) revenues were properly allocated among the following funds: 011–Base Salary (20%), 012–Performance Pay (40%), and 013–Other (40%), and expenditures in the CSFs (011-013) were within the CSF budget limit. [A.R.S §15-977](#)

Yes

▼

2. For Fund 011, expenditures were only for teacher base salary increases, employment-related expenses, and registered warrant expense.

Yes

▼

3. For Fund 012, expenditures were made only in accordance with the governing-board-adopted, performance-based teacher compensation system, including employment-related expenses and registered warrant expense.

Yes

▼

4. For Fund 013, expenditures were only for class size reduction, teacher compensation increases, assessment-intervention programs, teacher development, dropout-prevention programs, teacher liability insurance premiums, and registered warrant expense, and not used for school-sponsored athletics.

Yes

▼

5. The District's teacher base salary increases (Fund 011), performance-based teacher compensation increases (Fund 012), and monies spent from Fund 013 for teacher compensation increases were paid only to employees possessing a teaching certificate and employed to provide instruction related to the District's educational mission. Arizona Attorney General Opinion I13-005

Yes

6. The District's CSF revenues and expenditures were recorded in the separate CSFs (011-013) throughout the fiscal year rather than only at year-end.

Yes

7. The District's CSF monies were used to supplement, rather than supplant, existing funding from all other sources. (See [USFR Memorandum No. 194](#))

Yes

8. The District's budget balances remaining at year-end in any of the 3 CSFs (011-013) were carried forward in the same funds to ensure that the restrictions placed on the original allocation of revenues was applied in future years.

Yes

Payroll

Objective: To determine whether the District has implemented effective controls to reduce the risks associated with payroll expenditures by documenting evidence of review, verification, and approval to ensure employees are appropriately compensated.

1. The District's payroll-processing responsibilities (i.e., adding new employees, adjusting pay, payroll preparation, payroll authorization, and warrant distribution) were separated among employees.

Yes

2. The District established a delayed payroll system for hourly employees that did not delay payments more than 7 business days during its normal 2-week payroll processing cycle and allowed adequate time for payroll adjustments to be made, if needed, between the end of the pay period and the payment date.

Yes

3. The District required employees' contracts or personnel/payroll action forms to document the employees' election for prorated compensation.

Yes

4. The District ensured any adjustments to pay for employees who received prorated wage payments during the year were based on each employee's official rate of pay.

N/A

The District did not provide prorated wage payments.

Population

0

Sample

0

5. The District ensured hourly employees were not paid for more than the actual hours worked to date.

Yes

Population

250

Sample

10

6. The District's individual personnel files included all appropriate supporting documentation, as listed on USFR pages VI-H-2 through 4.

Yes

7. The District ensured that valid fingerprint clearance cards were on file for all required personnel and a method to identify employees whose cards were going to expire was in place. [A.R.S. §15-512](#), [A.R.S. §15-342](#), and [A.R.S. §41-1750](#)

Yes

8. The District enrolled employees who met the ASRS membership criteria, withheld employee contributions, and in a timely manner remitted employee and District contributions in accordance with the ASRS Employer Manual.

Yes

9. The District accurately calculated and in a timely manner remitted the alternative contribution rate payments to ASRS for all applicable positions filled by ASRS retirees. [ASRS Alternate Contribution Rate](#)

Yes

10. The District calculated the accrual and use of vacation, sick leave, and compensatory time for all employees in accordance with District accrual rates for specified years of service, maximum amounts to be accrued, and disposition of accrued time upon separation of employment.

Yes

11. Attendance records were prepared for each pay period for each employee subject to the Fair Labor Standards Act (FLSA) and were approved by the employee and the employee's supervisor.

Yes

12. The District's payroll was properly reviewed and approved before processing and distribution to employees.

Yes

Financial reporting

Objective: To determine whether the District properly prepared its financial reports, including its Annual Financial Report (AFR), for the audit year to provide legislative and oversight bodies, investors and creditors, and the public a transparent view of the District’s financial position operational results.

1. Budgeted expenditures reported on the AFR agreed with the District's most recently revised adopted expenditure budget.

Yes

2. The District reported revenue and expenditure amounts on the AFR that agreed with the District's accounting records and applicable supporting documentation.

Yes

3. The District prepared the AFR and AFR summary (if one was prepared) with all information as required by [A.R.S. §15-905](#), and followed the [AFR Review, Submission, and Publication Instructions](#), and [A.R.S. §15-904](#).

Yes

4. The District properly prepared the Food Service page of the AFR and reported expenditures from the M&O Fund 001 and Capital Fund 610 that agreed with the District's accounting records.

Yes

5. Detailed source documents were traceable to the District's trial balance that was used to prepare the financial statements.

Yes

6. The District's website included its average teacher salary and a copy of or a link to the District's page from the most recent Auditor General's District Spending Report. [A.R.S. §15-905](#) and [A.R.S. §41-1279.03](#)

Yes

7. The District submitted the School District Employee Report (SDER) to ADE, and it was accurate and timely. [A.R.S. §15-941](#)

Yes

Student attendance reporting

Objective: To determine whether the District has implemented effective controls to reported accurate student membership and attendance information to ADE to reduce the risk that the District received an inappropriate amount of State aid and/or local property taxes.

1. The District's calendar ensured school was in session for the required days and offered students the required instructional hours per grade level, including Arizona Online Instruction (AOI) Programs as prescribed in [A.R.S. §15-808\(J\)\(1\)](#), [A.R.S. §15-901\(A\)\(1\)](#), and [A.R.S. §15-901.07](#).

Yes

2. If the District had an early (pre-) kindergarten program, the District calculated and submitted membership information for early (pre-) kindergarten students' attendance records for this program only for students with disabilities. [A.R.S. §15-901](#)(A)(1)(a)(i) and [USFR Memorandum No. 175](#)

Sample

5

3. The District appropriately tracked and reported student membership and absences. [A.R.S. §15-901](#)

Population

250

Sample

15

Data Entry

15 elementary and jun

4. The District prorated high school students' membership if enrolled in less than 4 subjects.

The district does not have a high school.

Sample

0

5. The District was a CTED or CTED member. [A.R.S. §15-808](#)

The District was not a CTED or CTED member.

6. The District had an AOI program. [A.R.S. §15-808](#)

The District did not have an AOI program.

7. For students enrolled in a program provided by a CTED in a facility the District owned or operated (satellite programs), the District reported the actual enrollment for only the District classes the student was enrolled in at the District's school (excluding CTED program classes) under the District's CTDS number.

Population

0

Sample

0

8. For students enrolled in a program the CTED provided in a facility the District owned or operated (satellite programs), the District calculated student absences in accordance with ADE's methods based on the number of District classes the student was enrolled in and attended at the District's school. (excluding CTED satellite program classes)

9. For CTED satellite programs, the CTED reported actual student enrollment data for only the CTED program classes the student was enrolled in at that member district's satellite location (excluding school district classes).
[A.R.S. §15-393\(Q\)](#)

Sample

0

10. For CTEDs that meet for at least 150 minutes (not including any breaks) per class period on a CTED central campus, the CTED reported the membership as 0.75. [A.R.S. §15-393\(Q\)](#)

Sample

0

11. For students enrolled in both District and in CTED central program courses, the sum of the ADM was no more than 1.75 and the amount claimed by either entity was no more than 1.0. [A.R.S. §15-393\(Q\)](#)

Sample

0

12. The District maintained appropriate documentation and accurately reported students enrolled in its AOI program, including redetermining the actual full time equivalent (FTE) for each student enrolled in an AOI Program following a student's withdrawal or after the end of the school year. [A.R.S. §15-808](#)

Sample

0

13. The District ensured the student's name in the student management system matched the name on the legal document on file. [A.R.S. §15-828\(D\)](#).

Yes

Sample

15

14. The entry date in the computerized attendance system agreed to the entry form and was entered into the attendance system within 5 working days after the actual date of the student's enrollment.

Yes

Population

15

Sample

250

15. The student membership begins on the first day of actual attendance or, for continuing/pre-enrolled students, the first day that classroom instruction was offered, provided that the students actually attend within the first 10 days of school.

Yes

16. The District obtained and maintained verifiable documentation of Arizona residency for enrolled students, including students in its AOI program. [A.R.S. §15-802\(B\)\(1\)](#) and ADE's Arizona Residency Documentation Guidelines

Yes

17. The District reported student withdrawal dates to ADE and maintained documentation that supported the date of data entry.

Yes

Population

250

Sample

15

18. The District prepared and retained the Official Notice of Pupil Withdrawal form for each withdrawal, and the forms were signed by a District administrator. [A.R.S. §15-827](#)

Yes

19. The District counted students withdrawn for having 10 consecutive unexcused absences in membership only through the last day of actual attendance or excused absence. [A.R.S.§15-901\(A\)\(1\)](#)

Yes

Population

4

Sample

4

20. The District uploaded membership and absence information to ADE that agreed to the District's computerized system records for the first 100 days of school. [A.R.S.§15-901](#)

Yes

21. If students were admitted who were nonresidents of Arizona, the District excluded the student from the District's student count and State aid calculations and charged tuition as applicable. [A.R.S. §15-823\(G\) and \(L\)](#)

N/A

The District did not have any enrolled non-residents of Arizona.

Information technology

Objective: To determine whether the District adopted an information technology (IT) security framework that aligned with credible industry standards and implemented controls that provide reasonable assurance that its data was accurate and reliable and protected from unintended exposure and consequences. Test work should determine that the District adopted a framework and controls were operating to protect District and student data.

1. The District maintained adequate separation of duties in its IT systems that prevented 1 employee from completing a transaction without additional review and approval procedures.

Yes

2. The District reviewed and documented any system or software changes implemented.

Yes

3. The District assessed security risks for unauthorized access to the District's systems, network, and data, including through email, internet use, VPN, wireless access, and mobile devices, and provided employees security awareness training at least annually to prevent, identify, and report suspected security risks and threats.

Yes

4. The District removed terminated or transferred employees' or vendors' access immediately from all systems.

Yes

5. The District's system software and hardware was physically protected from unauthorized access, theft, and environmental hazards.

Yes

6. The District scheduled and performed backup-control procedures for all critical systems at least annually to ensure uninterrupted operations and minimal loss of data.

Yes

7. The District routinely completed software and application updates and patches when they became available.

Yes

8. The District had vendor contracts or data-sharing agreements in place with 3rd parties accessing or hosting District data that addressed controls to support security and processing integrity, and backup procedures if applicable, before data was accessed/shared.

N/A

The District did not have any 3rd parties that accessed or hosted District data.

9. The District ensured changes to data in business (i.e., employee information, pay rates) and IT (i.e., user roles, access rights) systems were approved by an authorized individual prior to processing changes.

Yes

10. The District enforced data security policies that required strong network passwords that aligned with credible industry standards, such as strong password requirements, screen locks, repeated failed sign-on attempt lockouts, and prohibited sharing of user IDs and passwords.

Yes

11. The District's IT systems generated electronic audit trail reports or change logs with information about the electronic transaction that the District reviewed or analyzed regularly to determine transactions' propriety.

Yes

12. The District monitored and reviewed IT system-generated incident or error reports to identify security threats or other unusual activity and addressed the instances.

Yes

13. The District had a recovery or contingency planning documents in place to restore or resume system services in case of disruption or failure that were reviewed and tested at least annually.

Yes

Transportation support

Objective: To determine whether the District has implemented effective controls for its transportation program to ensure it properly reports its transportation miles and student riders to ADE, which helps to ensure the District receives the appropriate amount of State aid.

1. The District accurately calculated and maintained documentation for miles reported on the Transportation Route Report submitted to ADE. [A.R.S. §15-922](#)

Yes

2. The transported students reported as eligible on the Transportation Route Report met the definition in [A.R.S. §15-901\(A\)\(8\)](#).

Yes

Records management

Objective: To determine whether the District has implemented effective controls to properly protect and maintain its records, including student and employee data, and that its records were disposed of securely and in accordance with established time frames.

1. The District established and followed policies and procedures to properly protect, maintain, and dispose of personally identifiable information and confidential records, such as student and employee information and social security numbers. www.azlibrary.gov/records

Yes

General long-term debt

Objective: To determine whether the District is following the laws related to bonds to ensure voters are informed and the District complies with the bond covenants.

1. The District calculated and issued debt in accordance with Arizona Revised Statutes and the Arizona Constitution. [A.R.S. §15-1021](#)

N/A

The District did not have any current year bond issues.

2. The District did not expend bond proceeds for items with useful lives less than the average life of the bonds issued or 5 years. [A.R.S. §15-1021\(E\)](#)

Yes

3. If outstanding bonded indebtedness and a balance remained in the Bond Building Fund after the acquisition or construction of facilities for which the bonds were issued, the governing board transferred the remaining balance to the Debt Service Fund. Otherwise, if the District had no outstanding bonded indebtedness and a balance remained in the Bond Building Fund after the acquisition or construction of facilities for which the bonds were issued, the governing board used the remaining balance to reduce taxes. [A.R.S. §15-1024\(B\)](#)

N/A

Construction was complete.

4. The District credited interest or other money earned from investing bond proceeds to the Debt Service Fund unless the voters authorized the interest to be credited to the Bond Building Fund or federal laws or rules require the interest to be used for capital expenditures. [A.R.S. §15-1024\(C\)](#)

Yes

| Preparer (AUDIT FIRM Representative) | Title | Date |
|--------------------------------------|-----------|------------|
| CliftonLarsonAllen LLP | Principal | 01/25/2021 |