

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2023



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YEAR ENDED JUNE 30, 2023

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Disclaimer of Opinions

We were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine Strawberry Elementary School District No. 12 (the District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

We do not express an opinion on the financial statements referred to above of Pine Strawberry Elementary School District No. 12. Because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for audit opinions on the financial statements.

Basis for Disclaimer of Opinions

Detailed cash records have not been maintained, including monthly and year-end reconciliations of cash and investments and supporting documents relating to those balances were not available for our audit. Therefore, we were not able to obtain sufficient appropriate audit evidence about the amounts at which cash and investments are recorded in the accompanying balance sheet at June 30, 2023 (stated at \$2,995,840).

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of Pine Strawberry Elementary School District No. 12's financial statements in accordance with auditing standards general accepted in the United States of America and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinions section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are required to be independent of Pine Strawberry Elementary School District No. 12 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit.

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2024, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Phoenix, Arizona
October 15, 2024

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REQUIRED SUPPLEMENTARY INFORMATION

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**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

As management of the Pine Strawberry Elementary School District No. 12 (the District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023.

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 \$2,703,594 (net position).
- ◆ The District's total net position decreased by \$534,388.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,171,729, a decrease of \$288,609 from the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$2,969,707, or 80.6% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

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

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

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

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

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Fund Financial Statements

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

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

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

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

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

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

The basic governmental fund financial statements can be found on pages 12 – 15 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 16 – 34 of this report.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Required Supplementary Information

Governments have the option of presenting budgetary comparison schedules for the General Fund and major special revenue funds as part of the basic financial statements or as required supplementary information other than MD&A. The District has presented the budgetary comparison schedules, as well as information about the District's proportionate share of the net pension liability and contributions, as required supplementary information which can be found on pages 35 – 39.

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 \$2,941,623 at the close of the most recent fiscal year.

Net Position

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

**Table A-1
Net Position
June 30, 2023 and 2022**

	Governmental Activities		
	2023	2022	% Change
Assets:			
Current and Other Assets	\$ 5,234,851	\$ 5,186,256	0.9 %
Capital Assets	1,850,795	1,947,804	(5.0)
Total Assets	7,085,646	7,134,060	(0.7)
Deferred Outflows of Resources	676,823	603,538	12.1
Liabilities:			
Current Liabilities	105,792	78,441	34.9
Noncurrent Liabilities	3,110,414	2,187,730	42.2
Total Liabilities	3,216,206	2,266,171	41.9
Deferred Inflows of Resources	1,604,640	2,233,445	(28.2)
Net Position			
Net Investment in Capital Assets	1,850,795	1,947,804	(5.0)
Restricted	559,071	485,041	15.3
Unrestricted	531,757	805,137	(34.0)
Total Net Position	\$ 2,941,623	\$ 3,237,982	(9.2)

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

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. The District's net investment in capital assets decreased 5.0% largely due to depreciation on capital assets. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The restricted net position increase of 35.7% was largely due to an increase in teacher compensation program funds carried forward for future use and state and federal grants carried forward. The remaining balance of unrestricted net position may be used for unrestricted purposes and ongoing operations.

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

**Table A-2
Changes in Net Position
Year Ended June 30, 2023 and 2022**

	Governmental Activities		
	2023	2022	% Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 32,139	\$ 37,814	(15.0) %
Operating Grants and Contributions	406,558	701,829	(42.1)
General Revenues:			
Property Taxes	3,174,743	3,308,959	(4.1)
State Equalization and Additional State Aid	357,993	223,939	59.9
Investment Earnings	43,161	22,869	88.7
Other	99,892	84,019	18.9
Total Revenues	<u>4,114,486</u>	<u>4,379,429</u>	(6.0)
EXPENSES			
Instruction	2,612,823	2,544,080	2.7
Support Services:			
Students	109,963	73,291	50.0
Instructional Staff	62,219	61,087	1.9
General Administration	136,230	52,726	158.4
School Administration	200,404	198,454	1.0
Business and Other Support Services	331,905	259,654	27.8
Operation and Maintenance of Plant	568,978	447,872	27.0
Student Transportation	254,881	225,235	13.2
Other Support Services	-	3,668	100.0
Operation of Noninstructional Services	133,442	104,062	28.2
Total Expenses	<u>4,410,845</u>	<u>3,970,129</u>	11.1
CHANGE IN NET POSITION	(296,359)	409,300	172.4
Net Position - Beginning of Year	<u>3,237,982</u>	<u>2,828,682</u>	14.5
NET POSITION - END OF YEAR	<u>\$ 2,941,623</u>	<u>\$ 3,237,982</u>	(9.2)

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

Program revenues made up of charges for services, operating grants and contributions, and capital grants and contributions decreased from the prior year by \$300,946. The decrease was mainly due to a decrease in federal grant funding receipts received during the year.

General revenues decreased by \$36,003. The decrease was mainly due to a slight decrease in the District's property tax levy.

District expenses increased by \$440,716 during the fiscal year. The increase was mainly due to an increase in contracted audit and consulting services, as well as increased maintenance and utility expenses.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$3,409,758, a decrease of \$50,580 from the prior year. Of this amount, \$3,001,798 constitutes unassigned fund balance, which is available for spending at the government's discretion.

At June 30, 2023, fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) From 2021-22
General Fund	\$ 3,234,440	\$ 168,361
Special Projects Fund	(160,369)	(219,464)
Nonmajor Governmental Funds	335,687	523

The General Fund reported an increase of \$168,361. This increase was mainly due to additional state aid payments received in the current year.

The Special Projects Funds are largely reimbursable type grants; however, fund balance decreased \$219,464 due to the timing of federal grant revenue collections during the current year. Grant collections were received more than 60 days after fiscal-year end and were not available at June 30, 2023.

The Nonmajor Governmental Funds increase of \$523 was due to minimal unspent funds for instructional improvement, classroom site, and other special revenues carried forward for future use.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

GENERAL FUND BUDGETARY HIGHLIGHTS

The District did not revise its budget during the current year. In Arizona, school districts build their original “adopted” budget based on the previous year’s 100th day average daily membership. The District is allowed to increase or decrease its budget only for specific reasons set forth in the A.R.S. Actual General Fund expenditures were \$1,364,910 less than budget during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$1,850,795 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, and furniture, equipment, and vehicles.

The District reported capital asset acquisitions of \$83,258. The capital asset additions for the year consisted of a replacement of upper playground equipment project, and vehicle purchases. The capital asset additions were offset by \$180,267 in depreciation expense.

**Table A-4
Capital Assets (Net)
June 30, 2023 and 2022**

	Governmental Activities	
	2023	2022
Land	\$ 172,000	\$ 172,000
Land Improvements	386,743	421,289
Buildings and Improvements	835,153	943,283
Furniture, Equipment, and Vehicles	403,785	411,234
Total Capital Assets, Net	\$ 1,850,795	\$ 1,947,806

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

Long-Term Debt

The District did not have any outstanding bonds.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

- ◆ State budget cuts.
- ◆ Decline in student enrollment.
- ◆ Poor economy.
- ◆ Attrition of staff.

All of these factors were considered in preparing the District’s budget for the 2024 fiscal year.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2023**

REQUESTS FOR INFORMATION

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

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BASIC FINANCIAL STATEMENTS

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and Investments	\$ 2,995,840
Receivables:	
Accounts Receivable	2,898
Property Taxes	265,581
Intergovernmental	422,276
Lease Receivable	1,449,298
Inventory	3,970
Net OPEB Assets	94,988
Capital Assets:	
Nondepreciable	225,114
Depreciable, Net	<u>1,625,681</u>
Total Assets	<u>7,085,646</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB Related	676,823
 LIABILITIES	
Accounts Payable	16,940
Accrued Wages and Benefits	88,852
Long-Term Liabilities:	
Due Within One Year	26,672
Due in More Than One Year	<u>3,083,742</u>
Total Liabilities	<u>3,216,206</u>
 DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB Related	155,342
Lease Related	<u>1,449,298</u>
Total Deferred Inflows of Resources	<u>1,604,640</u>
 NET POSITION	
Net Investment in Capital Assets	1,850,795
Restricted for:	
OPEB Benefits	94,988
Teacher Compensation Programs	76,339
Instructional Improvement Programs	50,616
Federal and State Instruction Programs	128,396
Food Service	7,535
Noninstructional Programs	175,583
Other	4,845
Capital Projects	20,769
Unrestricted	531,757
Total Net Position	<u><u>\$ 2,941,623</u></u>

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2023**

	General	Special Projects	Nonmajor Governmental Funds	Totals
Assets				
Cash and Investments	\$ 2,667,049	\$ -	\$ 328,791	\$ 2,995,840
Receivables:				
Accounts Receivable	2,898	-	-	2,898
Property Taxes	265,581	-	-	265,581
Intergovernmental	15,389	402,189	4,698	422,276
Lease Receivable	1,449,298	-	-	1,449,298
Inventory	-	-	3,970	3,970
Due from Other Funds	<u>422,917</u>	<u>-</u>	<u>-</u>	<u>422,917</u>
Total Assets	<u>\$ 4,823,132</u>	<u>\$ 402,189</u>	<u>\$ 337,459</u>	<u>\$ 5,562,780</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 5,898	\$ 11,042	\$ -	\$ 16,940
Accrued Wages and Benefits	86,877	203	1,772	88,852
Due to Other Funds	<u>-</u>	<u>422,917</u>	<u>-</u>	<u>422,917</u>
Total Liabilities	92,775	434,162	1,772	528,709
Deferred Inflows of Resources:				
Unavailable Revenue	46,619	128,396	-	175,015
Lease Related	<u>1,449,298</u>	<u>-</u>	<u>-</u>	<u>1,449,298</u>
Total Deferred Inflows of Resources	1,495,917	128,396	-	1,624,313
Fund Balances:				
Nonspendable	-	-	3,970	3,970
Restricted	-	-	331,717	331,717
Unassigned	<u>3,234,440</u>	<u>(160,369)</u>	<u>-</u>	<u>3,074,071</u>
Total Fund Balances	<u>3,234,440</u>	<u>(160,369)</u>	<u>335,687</u>	<u>3,409,758</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 4,823,132</u>	<u>\$ 402,189</u>	<u>\$ 337,459</u>	<u>\$ 5,562,780</u>

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2023**

Total Fund Balances for Governmental Funds	\$ 3,409,758
Amounts reported for governmental activities in the statement of net position are different because:	
Property taxes and grants not collected within 60 days subsequent to fiscal year-end are reported as deferred inflows of resources in the governmental funds.	175,015
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.	
Governmental Capital Assets	5,645,753
Less Accumulated Depreciation	<u>(3,794,958)</u>
Capital Assets Used in Governmental Activities	1,850,795
Deferred outflows and inflows of resources related to pensions and other postemployment benefits are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources	676,823
Deferred Inflows of Resources	<u>(155,342)</u>
	521,481
Long-term assets reported for other postemployment benefits are not current financial resources and therefore are not reported in the governmental funds.	94,988
Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.	
Compensated Absences	(54,884)
Net Pension Liability	(3,053,888)
Net OPEB Liability	<u>(1,642)</u>
Total Net Position of Governmental Activities	<u><u>\$ 2,941,623</u></u>

See accompanying Notes to Basic Financial Statements.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023

	<u>General</u>	<u>Special Projects</u>	<u>Nonmajor Governmental Funds</u>	<u>Totals</u>
REVENUES				
Property Taxes	\$ 3,248,678	\$ -	\$ -	\$ 3,248,678
Intergovernmental	434,294	-	163,139	597,433
Food Service Sales	-	-	16,750	16,750
Contributions and Donations	9,252	-	29,470	38,722
Investment Earnings	38,336	4,098	727	43,161
Other	<u>82,759</u>	<u>-</u>	<u>17,133</u>	<u>99,892</u>
Total Revenues	3,813,319	4,098	227,219	4,044,636
EXPENDITURES				
Current:				
Instruction	2,200,482	108,309	138,523	2,447,314
Support Services:				
Students	80,830	26,248	2,149	109,227
Instructional Staff	42,294	16,575	387	59,256
General Administration	131,072	2,280	-	133,352
School Administration	180,357	760	-	181,117
Business and Other Support Services	307,450	6,008	-	313,458
Operations and Maintenance of Plant	474,822	10,268	-	485,090
Student Transportation	171,917	-	-	171,917
Operation of Noninstructional Services	25,585	-	86,169	111,754
Capital Outlay:				
Facilities Acquisition	<u>30,149</u>	<u>53,114</u>	<u>-</u>	<u>83,263</u>
Total Expenditures	<u>3,644,958</u>	<u>223,562</u>	<u>227,228</u>	<u>4,095,748</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	168,361	(219,464)	(9)	(51,112)
Fund Balance - Beginning of Year	3,066,079	59,095	335,164	3,460,338
Increase in Inventories	<u>-</u>	<u>-</u>	<u>532</u>	<u>532</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,234,440</u>	<u>\$ (160,369)</u>	<u>\$ 335,687</u>	<u>\$ 3,409,758</u>

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances-Total Governmental Funds \$ (51,112)

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

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

Tuition Revenue	15,389
Property Taxes	(63,737)
Grants in Aid	118,198

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

Expenditures for Capital Assets	83,258
Less: Current Year Depreciation	(180,267)
Excess Depreciation Over Capital Expenditures	<u>(97,009)</u>

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

Pension and OPEB Contributions	239,867
Pension and OPEB Expense	(461,980)

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

Net Decrease in Compensated Absences	3,493
Change in Inventory Balances	<u>532</u>

Change in Net Position of Governmental Activities \$ (296,359)

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NOTES TO BASIC FINANCIAL STATEMENTS

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PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Adoption of New Accounting Standards

For the year ended June 30, 2023, the District implemented the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. This standard defines a subscription-based information technology arrangement (SBITA); establishes that a SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability; provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and requires note disclosures regarding a SBITA.

The District adopted the requirements of the guidance effective July 1, 2022 and has applied the provisions of this standard to the beginning of the period of adoption with no material impacts to these financial statements.

The significant accounting policies of the District are described below:

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The District reports the following major governmental funds:

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

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

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

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

1. Deposits and Investments

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

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

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

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments (Continued)

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

2. Property Taxes Receivables

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

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

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

3. Short-Term Interfund Receivables/Payables

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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)

4. Inventories

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

5. Leases

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

6. Capital Assets

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

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

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

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

7. Deferred Outflows of Resources

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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)

8. Compensated Absences

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

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

9. Pension Plans

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

10. 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, 2023 or within 60 days of fiscal year-end. The deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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)

11. Net Position

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

12. Fund Equity

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

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

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

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

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

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

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2023 consist of the following:

Deposits:	
Cash in Bank	\$ 81,413
Investments:	
Cash on Deposit with County Treasurer	<u>2,914,427</u>
Total Cash and Investments	<u><u>\$ 2,995,840</u></u>

Deposits

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District does not have a formal policy regarding custodial credit risk.

Investments

At June 30, 2023, the District’s investments were reported at fair value. The District’s investment in the County Treasurer’s pool represents a proportionate interest in the pool’s portfolios.

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

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

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

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

2. Receivables

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

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

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

	<u>Unavailable</u>
General Fund:	
Property Taxes	\$ 31,230
Tuition	15,389
Special Projects:	
Grant Revenues	128,396
Total	\$ 175,015

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2023 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 172,000	\$ -	\$ -	\$ 172,000
Construction in progress	-	53,114	-	53,114
Total Capital Assets, Not Being Depreciated	172,000	53,114	-	225,114
Capital Assets, Being Depreciated:				
Land Improvements	1,346,461	-	-	1,346,461
Buildings and Building Improvements	3,323,360	-	-	3,323,360
Furniture, Equipment, and Vehicles	720,676	30,142	-	750,818
Total Capital Assets, Being Depreciated	5,390,497	30,142	-	5,420,639
Accumulated Depreciation for:				
Land Improvements	(925,172)	(34,546)	-	(959,718)
Buildings and Building Improvements	(2,380,077)	(108,130)	-	(2,488,207)
Furniture, Equipment, and Vehicles	(309,442)	(37,591)	-	(347,033)
Total Accumulated Depreciation	(3,614,691)	(180,267)	-	(3,794,958)
Total Capital Assets, Being Depreciated, Net	1,775,806	(150,125)	-	1,625,681
Governmental Activities Capital Assets, Net	\$ 1,947,806	\$ (97,011)	\$ -	\$ 1,850,795

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
Instruction	\$ 65,891
Support Services:	
Operations and Maintenance of Plant	83,873
Student Transportation	26,781
Operation of Noninstructional Services	3,722
Total	<u>\$ 180,267</u>

4. Lease Receivable

The District, acting as a lessor, leases land under a long-term, noncancelable lease agreement. The initial lease expired in January 2016 but provided for renewal option up to 15 years. The lease was subsequently amended to provide for additional renewal options up to 25 years. During the year ended June 30, 2023, the District recognized \$12,429 and \$21,843 in lease revenue and interest revenue, respectively, pursuant to this agreement. The lease includes a 3% increase in rent each year and interest is calculated at a rate of 1.5%.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

As of June 30, 2023, interfund receivables and payables were as follows:

Due From	Due to General Fund
Special Projects Fund	\$ 422,917

The above interfund receivables and payables are due to cash shortfalls at June 30, 2023. Cash was received subsequent to June 30, 2023 to repay the short-term borrowings.

There were no interfund transfers recorded during the year ended June 30, 2023.

C. Long-Term Obligations

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

Changes in long-term obligations for the year ended June 30, 2023 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due within One Year
Governmental Activities:					
Other Liabilities:					
Compensated Absences	\$ 58,377	\$ 22,402	\$ (25,895)	\$ 54,884	\$ 26,672
Net Other Postemployment Benefits	3,373	-	(1,731)	1,642	-
Net Pension Liability	2,125,980	927,908	-	3,053,888	-
Governmental Activities Long-Term Debt	\$ 2,187,730	\$ 950,310	\$ (27,626)	\$ 3,110,414	\$ 26,672

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Fund Balance Classification

The fund balance classifications of the governmental funds as of June 30, 2023 were as follows:

	General Fund	Special Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ 3,970	\$ 3,970
Restricted:				
Teacher Compensation Programs	-	-	76,339	76,339
Instructional Improvement Programs	-	-	50,616	50,616
Federal and State Instructional Programs	-	-	-	-
Food Service	-	-	3,565	3,565
Noninstructional Programs	-	-	161,572	161,572
Other	-	-	4,845	4,845
Capital Projects	-	-	20,769	20,769
Student Activities	-	-	14,011	14,011
Total Restricted	-	-	331,717	331,717
Unassigned	3,234,440	(160,369)	-	3,074,071
Total Fund Balances	\$ 3,234,440	\$ (160,369)	\$ 335,687	\$ 3,409,758

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is \$10 million per occurrence on a claims-made basis. Excess coverage is for an additional \$10 million per occurrence on a follow form, claims made basis. There have been no significant changes in coverage and settled claims have not exceeded coverage in any of the past three fiscal years.

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

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans

Cost-Sharing Employer Plans

The District contributes to the Arizona State Retirement System (ASRS) a cost-sharing multiple-employer defined benefit and other postemployment benefit plan. The plan is a component unit of the State of Arizona. At June 30, 2023, the District reported the following amounts related to its proportionate share of the ASRS pension and other postemployment benefit plans:

Statement of Net Position and Statement of Activities	Pension	Other Postemployment Benefits		Governmental Activities
		Health Benefit Subsidy	Long-Term Disability	
Net Pension and OPEB Liability (Asset)	\$ 3,053,888	\$ (94,988)	\$ 1,642	\$ 2,960,542
Deferred Outflows of Resources	667,714	3,626	5,483	676,823
Deferred Inflows of Resources	94,463	54,884	5,995	155,342
Pension/OPEB Expense	475,363	(14,062)	679	461,980

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 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:

	Retirement	
	Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of Service and Age Required to Receive Benefit	Sum of years and age equals 80 10 years age 62 5 year 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		

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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

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 benefit 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, 2023, statute required active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% for retirement and 0.14% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.17% (11.92% for retirement, 0.11% for health insurance premium benefit, and 0.14% 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 9.68% (9.62% for retirement and 0.06% 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 fill. The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023 were \$235,183, \$1,996, and \$2,688, respectively.

During the fiscal year ended June 30, 2023, the District paid for ASRS pension contributions as follows: 91% from the General Fund, 4% from the Special Projects Fund and 5% from other nonmajor governmental funds.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Liability – At June 30, 2023, 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	\$	3,053,888
Health insurance premium benefit		(94,988)
Long-term disability		1,642

The net asset and net liabilities were measured as of June 30, 2022. 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, 2021, to the measurement date of June 30, 2022. 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, 2022, and the change from its proportions measured as of June 30, 2021, were:

	Proportion June 30, 2022	Increase (decrease) from June 30, 2021
Pension	0.01871%	0.00253%
Health insurance premium benefit	0.01702%	0.00048%
Long-term disability	0.01778%	0.00144%

Expense – For the year ended June 30, 2023, the District recognized the following pension and OPEB expense:

		Pension/OPEB Expense
Pension	\$	475,363
Health insurance premium benefit		(14,062)
Long-term disability		679

Deferred outflows/inflows of resources – At June, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Pension	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 26,021	\$ -
Changes of Assumptions or Other Inputs	151,570	-
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	80,442
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	254,940	14,021
Contributions Subsequent to the Measurement Date	<u>235,183</u>	<u>-</u>
Total	<u>\$ 667,714</u>	<u>\$ 94,463</u>

Health Insurance Premium (OPEB)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 48,477
Changes of Assumptions or Other Inputs	1,542	2,591
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	3,200
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	88	616
Contributions Subsequent to the Measurement Date	<u>1,996</u>	<u>-</u>
Total	<u>\$ 3,626</u>	<u>\$ 54,884</u>

Long-Term Disability (OPEB)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 855	\$ 1,530
Changes of Assumptions or Other Inputs	894	4,008
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	51
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	1,046	406
Contributions Subsequent to the Measurement Date	<u>2,688</u>	<u>-</u>
Total	<u>\$ 5,483</u>	<u>\$ 5,995</u>

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from the 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension</u>	<u>Health Insurance Premium</u>	<u>Long-Term Disability</u>
2023	\$ 264,814	\$ (14,630)	\$ (232)
2024	84,169	(15,906)	(324)
2025	(139,667)	(17,413)	(708)
2026	128,752	(2,709)	(58)
2027	-	(2,596)	(703)
Thereafter	-	-	(1,175)

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

Actuarial Valuation Date	June 30, 2021
Actuarial Roll Forward Date	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Discount Rate	7.0%
Projected Salary Increases	2.9-8.4%
Inflation	2.3%
Permanent Benefit Increase	Included for pensions/not applicable for OPEB
Mortality Rates	2017 SRAScale U-MP
Recovery Rates	2012 GLDT for long-term disability
Healthcare Cost Trend Rate	Not applicable

Actuarial assumptions used in the June 30, 2021 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2020.

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Equity	50 %	3.90 %
Fixed Income - Credit	20	5.30
Fixed Income - Interest Rate Sensitive Bonds	10	(0.20)
Real Estate	20	6.00
Total	<u>100 %</u>	

Discount Rate – At June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	<u>1% Decrease (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase (8.0%)</u>
District’s Proportionate Share of the			
Net Pension Liability	\$ 4,505,920	\$ 3,053,888	\$ 1,843,119
Health Insurance Premium	\$ (68,302)	\$ (94,988)	\$ (117,631)
Long-Term Disability	\$ 2,722	\$ 1,642	\$ 595

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

REQUIRED SUPPLEMENTARY INFORMATION

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**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION/OPEB CONTRIBUTIONS
JUNE 30, 2023**

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)									
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 (2013)
District's Proportion of the Net Pension Liability	0.01871%	0.01618%	0.01647%	0.01621%	0.01719%	0.016400%	0.017090%	0.171800%	0.016456%	0.016653%
District's Proportionate Share of the Net Pension Liability	\$ 3,053,888	\$ 2,125,980	\$ 2,853,678	\$ 2,358,744	\$ 2,397,400	\$ 2,544,800	\$ 2,758,498	\$ 2,675,913	\$ 2,434,983	\$ 2,767,435
District's Covered Payroll	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	\$ 1,556,966	\$ 1,586,128	\$ 1,487,786	\$ 1,446,315
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	137.09%	116.86%	158.54%	126.78%	132.93%	151.94%	177.17%	168.71%	163.66%	191.34%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74.26%	78.58%	69.33%	73.24%	73.40%	67.06%	67.06%	68.35%	69.49%	N/A

ASRS - Health Insurance Premium Benefit

	Reporting Fiscal Year (Measurement Date)						2017 through 2014 information not available
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
District's Proportion of the Net Pension Liability	0.01702%	0.01654%	0.01687%	0.01599%	0.01627%	0.01546%	
District's Proportionate Share of the Net Pension Liability	\$ (94,988)	\$ (80,584)	\$ (11,944)	\$ (4,419)	\$ (5,859)	\$ (8,416)	
District's Covered Payroll	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	-4.26%	-4.43%	-0.66%	-0.24%	-0.32%	-0.50%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	137.79%	130.24%	104.33%	101.62%	102.20%	103.57%	

ASRS - Long-Term Disability

	Reporting Fiscal Year (Measurement Date)						2017 through 2014 information not available
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	
District's Proportion of the Net Pension Liability	0.01778%	0.01634%	0.01672%	0.01609%	0.01716%	0.01573%	
District's Proportionate Share of the Net Pension Liability	\$ 1,642	\$ 3,373	\$ 12,684	\$ 10,482	\$ 8,966	\$ 5,702	
District's Covered Payroll	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	0.07%	0.19%	0.70%	0.56%	0.50%	0.34%	
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	95.40%	90.38%	68.01%	72.85%	77.83%	84.44%	

See accompanying Notes to Required Supplementary Information.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PENSION/OPEB CONTRIBUTIONS
JUNE 30, 2023**

	Reporting Fiscal Year									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
ASRS - Pension										
Statutorily Required Contribution	\$ 235,183	\$ 267,543	\$ 211,947	\$ 206,100	\$ 191,121	\$ 186,340	\$ 177,950	\$ 167,451	\$ 172,384	\$ 158,741
District's Contributions in Relation to the Statutorily Required Contribution	<u>235,183</u>	<u>267,543</u>	<u>211,947</u>	<u>206,100</u>	<u>191,121</u>	<u>186,340</u>	<u>177,950</u>	<u>167,451</u>	<u>172,384</u>	<u>158,741</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	\$ 1,556,966	\$ 1,586,128	\$ 1,487,786
District's Contributions as a Percentage of Covered Payroll	11.20%	12.01%	11.65%	11.45%	10.27%	10.33%	10.62%	10.75%	10.87%	10.67%
ASRS - Health Insurance Premium Benefit										
	2023	2022	2021	2020	Reporting Fiscal Year					
					2019	2018				
Statutorily Required Contribution	\$ 1,996	\$ 4,151	\$ 7,074	\$ 8,820	\$ 7,570	\$ 6,985	2017 through 2014 information not available			
District's Contributions in Relation to the Statutorily Required Contribution	<u>1,996</u>	<u>4,151</u>	<u>7,074</u>	<u>8,820</u>	<u>7,570</u>	<u>6,985</u>				
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's Covered Payroll	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460				
District's Contributions as a Percentage of Covered Payroll	0.10%	0.19%	0.39%	0.49%	0.41%	0.39%				
ASRS - Long-Term Disability										
	2023	2022	2021	2020	Reporting Fiscal Year					
					2019	2018				
Statutorily Required Contribution	\$ 2,688	\$ 3,983	\$ 3,264	\$ 3,065	\$ 2,673	\$ 2,722	2017 through 2014 information not available			
District's Contributions in Relation to the Statutorily Required Contribution	<u>2,688</u>	<u>3,983</u>	<u>3,264</u>	<u>3,065</u>	<u>2,673</u>	<u>2,722</u>				
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>				
District's Covered Payroll	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000	\$ 1,860,547	\$ 1,803,460				
District's Contributions as a Percentage of Covered Payroll	0.13%	0.18%	0.18%	0.17%	0.14%	0.15%				

See accompanying Notes to Required Supplementary Information.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ 3,011,223	\$ 3,011,223
Intergovernmental	-	-	357,328	357,328
Contributions and Donations	-	-	555	555
Investment Earnings	-	-	15,895	15,895
Other	-	-	48,468	48,468
Total Revenues	-	-	3,433,469	3,433,469
EXPENDITURES				
Regular Education:				
Instruction	2,582,740	2,582,740	1,794,874	787,866
Support Services - Students	15,000	15,000	52,268	(37,268)
Support Services - Instructional Staff	-	-	8,435	(8,435)
Support Services - General Administration	71,795	71,795	131,072	(59,277)
Support Services - School Administration	251,398	251,398	178,190	73,208
Support Services - Central Services	266,424	266,424	268,101	(1,677)
Operations and Maintenance of Plant	470,000	470,000	452,821	17,179
Operation of Noninstructional Services	111,000	111,000	25,135	85,865
School - Sponsored Cocurricular Activities	3,250	3,250	-	3,250
Total Regular Education	3,771,607	3,771,607	2,910,896	857,461
Special Education:				
Instruction	830,625	830,625	348,654	481,971
Support Services - Students	-	-	28,562	(28,562)
Support Services - Instructional Staff	79,500	79,500	33,859	45,641
Total Special Education	910,125	910,125	411,075	499,050
Pupil Transportation:				
Student Transportation Services	235,000	235,000	181,076	53,924
K-3 Reading Program:				
Instruction	3,750	3,750	-	3,750
Total Expenditures	4,920,482	4,920,482	3,503,047	1,414,185
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(4,920,482)	(4,920,482)	(69,578)	4,847,654
FUND BALANCE				
Beginning of Year	-	-	1,148,950	1,148,950
End of Year	\$ (4,920,482)	\$ (4,920,482)	\$ 1,079,372	\$ 5,999,854

See accompanying Notes to Required Supplementary Information.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Investment Earnings	\$ -	\$ -	\$ 4,098	\$ 4,098
EXPENDITURES				
Instruction	209,635	209,635	108,309	101,326
Support Services				
Students	50,804	50,804	26,248	24,556
Instructional Staff	32,081	32,081	16,575	15,506
General Administration	4,413	4,413	2,280	2,133
School Administration	1,471	1,471	760	711
Business and Other Support Services	11,629	11,629	6,008	5,621
Operations and Maintenance of Plant	<u>19,874</u>	<u>19,874</u>	<u>10,268</u>	<u>9,606</u>
Total Expenditures	432,710	329,906	223,562	106,344
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(432,710)	(329,906)	(219,464)	110,442
FUND BALANCE				
Beginning of Year	<u>-</u>	<u>-</u>	<u>59,095</u>	<u>59,095</u>
End of Year	<u>\$ (432,710)</u>	<u>\$ (329,906)</u>	<u>\$ (160,369)</u>	<u>\$ 169,537</u>

See accompanying Notes to Required Supplementary Information.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

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

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

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

	Total Revenues	Total Expenditures	Fund Balance Beginning of Year	Fund Balance End of Year
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 3,813,319	\$ 3,644,958	\$ 3,066,079	\$ 3,234,440
Non Maintenance and Operation Activity Included in General Fund	(379,850)	(141,911)	(1,917,129)	(2,155,068)
Budgetary Comparison Schedule - General Fund	\$ 3,433,469	\$ 3,503,047	\$ 1,148,950	\$ 1,079,372

GOVERNMENT AUDITING STANDARDS REPORT

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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
Pine Strawberry Elementary School District No. 12
Pine, Arizona

We were engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine Strawberry Elementary School District No. 12 (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated October 15, 2024. We do not express an opinion on the financial statements referred to above of Pine Strawberry Elementary School District No. 12 because of the significance of the matter described in the Basis for Disclaimer of Opinions section of our report on the financial statements, as we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements.

Report on Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-001 to 2023-007, and 2023-009 to be material weaknesses

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. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2023-008 and 2023-010 to be significant deficiencies.

Report on Compliance and Other Matters

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

Pine Strawberry Elementary School District No. 12's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Phoenix, Arizona
October 15, 2024

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2023

2023-001 Financial Reporting

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes 2022-001

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

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

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

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

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-002 Material Audit Adjustments

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes – 2022-002

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

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

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

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-003 Internal Controls over Cash with the County Treasurer

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes 2022-003

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

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

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

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-004 Internal Controls over Revenues

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes 2022-004

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

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

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

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-005 Internal Controls over Information Technology

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes – 2022-005

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

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

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

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

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-006 Cash Controls

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes – 2022-006

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

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

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

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

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

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-007 Timeliness of Year End Close-Out

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes – 2022-007

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

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

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

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-008 Internal Controls over Journal Entries

Significant Deficiency in Internal Control over Financial Reporting

Repeat Finding: Yes – 2022-008

Condition/Context: For five of five journal entries tested, the District did not retain documentation to support the review and approval of journal entries by management.

Criteria: Internal controls would dictate that documentation be retained to support all proposed journal entries being approved by the superintendent.

Effect: The lack of proper controls could result in a misstatement, whether due to fraud or error, going undetected and uncorrected.

Cause: Review of journal entries by the superintendent was performed in person or through email correspondence therefore limiting the documentation retained.

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-009 Internal Controls over Capital Assets

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes – 2022-009

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

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

Effect: The District did not include current year additions in the amount of \$83,256.

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

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

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

Contact Person: Aimee E. Manjarres, Business Manager.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2023**

2023-010 Internal Controls over disbursements from M&O Revolving Fund bank account

Significant Deficiency in Internal Control over Financial Reporting

Repeat Finding: No

Condition/Context: For three of five disbursements tested from the M&O Revolving Fund bank account established in accordance with A.R.S. §15-1101 noted the expenditure was not for activities that require immediate cash outlays such as postage, freight, express, fuel taxes, parcel post, or other minor disbursements.

Criteria: Internal controls would dictate that only allowable disbursements are made from the M&O Revolving Fund bank account and are properly supported with check request forms and supporting documents.

Effect: The lack of adequate internal controls over cash disbursements and recordkeeping for the M&O Revolving Fund bank account could result in a material misstatement, whether due to fraud or error, going undetected and uncorrected.

Cause: Lack of review of disbursements from the cash account by the employee responsible.

Recommendation: We recommend the District review its designed procedures and internal control processes over cash disbursements made from the M&O Revolving Fund bank account to ensure only allowable activities and proper supporting documents are retained.

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

Contact Person: Aimee E. Manjarres, Business Manager.

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