

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2025



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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

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Pine Strawberry Elementary School District No. 12 as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the District's proportionate share of the net pension/OPEB liability and contributions, and budgetary comparison information for the general fund and major special revenue fund, 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 March 13, 2026, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Tempe, Arizona
March 13, 2026

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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, 2025**

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, 2025.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,854,951 (net position).
- ◆ The District's total net position increased by \$203,238.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,491,178, an increase of \$480,242 from the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$4,026,173, or 121.7% 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, 2025**

Fund Financial Statements

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

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

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

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

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

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

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

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 17 – 39 of this report.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

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 38 – 44.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$3,854,951 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, 2025 and 2024**

	Governmental Activities		
	2025	2024	Percent Change
Assets:			
Current and Other Assets	\$ 6,025,942	\$ 5,831,886	3.3 %
Capital Assets	<u>1,669,538</u>	<u>1,841,268</u>	(9.3)
Total Assets	<u>7,695,480</u>	<u>7,673,154</u>	0.3
Deferred Outflows of Resources	404,988	438,551	(7.7)
Liabilities:			
Current Liabilities	82,125	106,980	(23.2)
Noncurrent Liabilities	<u>2,462,219</u>	<u>2,516,298</u>	(2.1)
Total Liabilities	<u>2,544,344</u>	<u>2,623,278</u>	(3.0)
Deferred Inflows of Resources	<u>1,701,173</u>	<u>1,836,714</u>	(7.4)
Net Position			
Net Investment in Capital Assets	1,654,241	1,819,209	(9.1)
Restricted	507,091	577,167	(12.1)
Unrestricted	<u>1,693,619</u>	<u>1,255,337</u>	34.9
Total Net Position	<u>\$ 3,854,951</u>	<u>\$ 3,651,713</u>	5.6

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, 2025**

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 9.3% 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 decrease of 5.5% was largely due to an decrease 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, 2025 and 2024**

	Governmental Activities		
	2025	2024	Percent Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 44,872	\$ 10,194	340.2 %
Operating Grants and Contributions	405,527	604,067	(32.9)
Capital Grants and Contributions	22,666	50,589	100.0
General Revenues:			
Property Taxes	3,090,253	3,244,793	(4.8)
Grants and Contributions Not Restricted to Specific Programs			
State Equalization and Additional State Aid	178,437	185,643	(3.9)
Investment Earnings	118,369	79,332	49.2
Other	101,113	199,738	(49.4)
Total Revenues	<u>3,961,237</u>	<u>4,374,356</u>	(9.4)
EXPENSES			
Instruction	2,209,178	2,077,346	6.3
Support Services:			
Students	146,964	135,674	8.3
Instructional Staff	46,741	79,049	(40.9)
General Administration	232,989	193,706	20.3
School Administration	62,421	146,414	(57.4)
Business and Other Support Services	272,595	222,821	22.3
Operation and Maintenance of Plant	438,507	443,571	(1.1)
Student Transportation	162,122	180,528	(10.2)
Operation of Noninstructional Services	186,482	185,157	0.7
Total Expenses	<u>3,757,999</u>	<u>3,664,266</u>	2.6
CHANGE IN NET POSITION	203,238	710,090	71.4
Net Position - Beginning of Year	<u>3,651,713</u>	<u>2,941,623</u>	24.1
NET POSITION - END OF YEAR	<u>\$ 3,854,951</u>	<u>\$ 3,651,713</u>	5.6

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Program revenues made up of charges for services, operating grants and contributions, and capital grants and contributions decreased from the prior year by \$191,785. The decrease was mainly due to a decrease in federal grant reimbursements received and recognized in the current year.

General revenues decreased by \$221,334. The decrease was mainly due to a slight decrease in property taxes levied and received.

District expenses increased by \$93,733 during the fiscal year. The increase was mainly due to the timing of employee insurance payments and a decrease in grant program expenses in the current year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$4,491,178, an increase of \$479,478 from the prior year. Of this amount, \$4,012,722 constitutes unassigned fund balance, which is available for spending at the government's discretion.

At June 30, 2025, fund balances were as follows:

**Table A-3
Fund Balances (Deficit)**

Fund	Balance (Deficit)	Increase (Decrease) From 2023-24
General Fund	\$ 4,075,917	\$ 292,541
Special Projects Fund	76,395	153,439
Nonmajor Governmental Funds	338,866	34,262

The General Fund reported an increase in fund balance of \$292,541. This increase was mainly due to a decrease in school administration expenses.

The Special Projects Funds are largely reimbursable type grants. Fund balance increased \$153,439 due to the timing of federal grant revenue collections during the period of availability in the current year.

The Nonmajor Governmental Funds increase in fund balance of \$33,498 was mainly due to an decrease in operation of noninstructional services expenses relating to less activity in the building renewal fund..

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

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 \$1,027,158 less than budget during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District’s total capital assets for its governmental activities as of June 30, 2025, amounts to \$1,669,538 (net of accumulated depreciation). This total capital assets includes land, construction in progress, land improvements, buildings and improvements, and furniture, equipment, vehicles, and right to use assets.

The District reported capital asset additions of \$63,522. The significant capital asset additions consisted of the replacement of upper playground equipment going in service in the current year. The capital asset additions were offset by \$197,033 in depreciation expense.

**Table A-4
Capital Assets (Net)
June 30, 2025 and 2024**

	Governmental Activities	
	2025	2024
Land	\$ 172,000	\$ 172,000
Construction in Progress	14,292	4,426
Land Improvements	408,885	433,984
Buildings and Improvements	723,124	798,715
Furniture, Equipment, and Vehicles	319,957	392,648
Right-to-Use Assets	31,280	39,495
Total Capital Assets, Net	\$ 1,669,538	\$ 1,841,268

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 2026 fiscal year.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

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, 2025

	Governmental Activities
ASSETS	
Cash and Investments	\$ 4,267,568
Receivables:	
Accounts Receivable	59,847
Property Taxes	62,696
Intergovernmental	76,614
Lease Receivable	1,420,722
Inventory	5,186
Prepays	49,744
Net OPEB Assets	83,565
Capital Assets:	
Nondepreciable	186,292
Depreciable, Net	1,483,246
Total Assets	7,695,480
DEFERRED OUTFLOWS OF RESOURCES	
Pension and OPEB Related	404,988
LIABILITIES	
Accounts Payable	1,297
Accrued Wages and Benefits	80,828
Long-Term Liabilities:	
Due Within One Year	82,060
Due in More Than One Year	2,380,159
Total Liabilities	2,544,344
DEFERRED INFLOWS OF RESOURCES	
Pension and OPEB Related	398,560
Lease Related	1,302,613
Total Deferred Inflows of Resources	1,701,173
NET POSITION	
Net Investment in Capital Assets	1,654,241
Restricted for:	
OPEB Benefits	83,565
Teacher Compensation Programs	92,991
Instructional Improvement Programs	61,786
Federal and State Instruction Programs	76,395
Student Activities	12,511
Other	154,983
Capital Projects	24,860
Unrestricted	1,693,619
Total Net Position	\$ 3,854,951

See accompanying Notes to Basic Financial Statements.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025**

FUNCTIONS/PROGRAMS	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 2,209,178	\$ 5,614	\$ 305,103	\$ -	\$ (1,898,461)
Support Services:					
Students	146,964	2,527	2,803	-	(141,634)
Instructional Staff	46,741	804	17,756	-	(28,181)
General Administration	232,989	4,897	-	-	(228,092)
School Administration	62,421	1,241	4,275	-	(56,905)
Business and Other Support Services	272,595	5,440	11,901	-	(255,254)
Operation and Maintenance of Plant	438,507	8,181	-	22,666	(407,660)
Student Transportation	162,122	2,710	-	-	(159,412)
Operation of Noninstructional Services	186,482	13,458	63,689	-	(109,335)
Total Governmental Activities	<u>\$ 3,757,999</u>	<u>\$ 44,872</u>	<u>\$ 405,527</u>	<u>\$ 22,666</u>	<u>(3,284,934)</u>
GENERAL REVENUES:					
					3,090,253
					178,437
					118,369
					101,113
					<u>3,488,172</u>
CHANGE IN NET POSITION					
					203,238
					<u>3,651,713</u>
NET POSITION - END OF YEAR					
					<u>\$ 3,854,951</u>

See accompanying Notes to Basic Financial Statements.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
BALANCE SHEET –
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General	Special Projects	Nonmajor Governmental Funds	Totals
Assets				
Cash and Investments	\$ 3,915,286	\$ 8,604	\$ 343,678	\$ 4,267,568
Receivables:				
Accounts Receivable	59,847	-	-	59,847
Property Taxes	62,696	-	-	62,696
Intergovernmental	4,611	68,356	3,647	76,614
Lease Receivable	1,420,722	-	-	1,420,722
Prepaid Items	49,744	-	-	49,744
Inventory	-	-	5,186	5,186
Due from Other Funds	13,451	-	-	13,451
Total Assets	<u>\$ 5,526,357</u>	<u>\$ 76,960</u>	<u>\$ 352,511</u>	<u>\$ 5,955,828</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts Payable	\$ 716	\$ 458	\$ 123	\$ 1,297
Accrued Wages and Benefits	80,650	107	71	80,828
Due to Other Funds	-	-	13,451	13,451
Total Liabilities	<u>81,366</u>	<u>565</u>	<u>13,645</u>	<u>95,576</u>
Deferred Inflows of Resources:				
Unavailable Revenue	66,461	-	-	66,461
Lease Related	1,302,613	-	-	1,302,613
Total Deferred Inflows of Resources	<u>1,369,074</u>	<u>-</u>	<u>-</u>	<u>1,369,074</u>
Fund Balances:				
Nonspendable	49,744	-	5,186	54,930
Restricted	-	76,395	347,131	423,526
Unassigned	4,026,173	-	(13,451)	4,012,722
Total Fund Balances	<u>4,075,917</u>	<u>76,395</u>	<u>338,866</u>	<u>4,491,178</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 5,526,357</u>	<u>\$ 76,960</u>	<u>\$ 352,511</u>	<u>\$ 5,955,828</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, 2025**

Total Fund Balances for Governmental Funds \$ 4,491,178

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. 66,461

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Governmental Capital Assets	5,656,254
Less Accumulated Depreciation	<u>(3,986,716)</u>
Capital Assets Used in Governmental Activities	1,669,538

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	404,988
Deferred Inflows of Resources	<u>(398,560)</u>
	6,428

Long-term assets reported for other postemployment benefits are not current financial resources and therefore are not reported in the governmental funds. 83,565

Long-term liabilities are not due and payable in the current period and therefore, are not reported in the governmental funds.

Lease Payables	(15,297)
Compensated Absences	(110,333)
Net Pension Liability	(2,336,220)
Net OPEB Liability	<u>(369)</u>

Total Net Position of Governmental Activities \$ 3,854,951

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General	Special Projects	Nonmajor Governmental Funds	Totals
REVENUES				
Property Taxes	\$ 3,159,782	\$ -	\$ -	\$ 3,159,782
Intergovernmental	189,963	310,632	217,074	717,669
Tuition	33,513	-	-	33,513
Food Service Sales	-	-	11,359	11,359
Contributions and Donations	21,795	-	23,055	44,850
Investment Earnings	110,387	64	7,918	118,369
Other	86,380	-	14,732	101,112
Total Revenues	<u>3,601,820</u>	<u>310,696</u>	<u>274,138</u>	<u>4,186,654</u>
EXPENDITURES				
Current:				
Instruction	1,913,577	138,660	161,853	2,214,090
Support Services:				
Students	123,585	1,419	2,000	127,004
Instructional Staff	39,308	8,989	-	48,297
General Administration	239,483	-	-	239,483
School Administration	60,712	2,164	-	62,876
Business and Other Support Services	266,071	6,025	-	272,096
Operations and Maintenance of Plant	370,004	-	15,713	385,717
Student Transportation	132,528	-	-	132,528
Operation of Noninstructional Services	102,643	-	52,158	154,801
Debt Service				
Principal Retirement	6,762	-	-	6,762
Capital Outlay:				
Facilities Acquisition	54,606	-	8,916	63,522
Total Expenditures	<u>3,309,279</u>	<u>157,257</u>	<u>240,640</u>	<u>3,707,176</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	292,541	153,439	33,498	479,478
Fund Balance (Deficit) - Beginning of Year	<u>3,783,376</u>	<u>(77,044)</u>	<u>304,604</u>	<u>4,010,936</u>
Increase in Inventories	<u>-</u>	<u>-</u>	<u>764</u>	<u>764</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 4,075,917</u>	<u>\$ 76,395</u>	<u>\$ 338,866</u>	<u>\$ 4,491,178</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, 2025**

Net Change in Fund Balances-Total Governmental Funds \$ 479,478

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)
Operating Grants	7,870
Property Taxes	(54,140)
Grants in Aid	(163,759)

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	63,522
Less: Current Year Depreciation	(197,033)
Excess Depreciation Over Capital Expenditures	(133,511)

The statement of activities reports losses arising from the disposal of existing capital assets. Conversely, governmental funds do not report any gain or loss on disposals of capital assets.

(38,219)

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

Principal Payments on Leases	6,762
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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	264,462
Pension and OPEB Expense	(88,023)

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

Net Increase in Compensated Absences	(63,057)
Change in Inventory Balances	764

Change in Net Position of Governmental Activities	\$ 203,238
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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, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

For the year ended June 30, 2025, the District implemented the provisions of GASB Statement No. 101, *Compensated Absences*. This standard establishes standards of accounting and financial reporting for (a) compensated absences and (b) associated salary related payments, including certain defined contribution pensions and defined contribution other postemployment benefits (OPEB). The requirements of this Statement are effective for fiscal years beginning after December 15, 2023. The District implemented this standard in fiscal year 2025 and there was no material impact to the financial statements.

GASB Statement No. 102, *Certain Risk Disclosures* establishes financial reporting requirements for risks related to vulnerabilities due to certain concentrations or constraints. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024. This standard had no impact to the District's financial statements as a whole.

GASB Statement No. 103, *Financial Reporting Model Improvements* establishes standards to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The District will implement this standard in fiscal year 2026.

GASB Statement No. 104, *Disclosure of Certain Capital Assets* establishes standards to provide detailed information about capital assets in notes to financial statements. Statement No. 34, Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025. The District will implement this standard in fiscal year 2026.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A Summary of the District's more significant accounting policies follows.

A. Reporting Entity

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

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

B. Government-Wide and Fund Financial Statements

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

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.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

2. Property Taxes Receivables (Continued)

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.

4. Inventories

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first in/first out (FIFO) method. In the governmental funds and governmental activities, the cost of inventories are recorded as expenditures at the time of purchase. In the governmental funds, reported inventories are classified as nonspendable fund balance.

5. Leases

As the lessee, the District recognizes lease liabilities with an initial, individual value of \$5,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's estimated incremental borrowing rate is based on the District's risk-free rate.

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. Subscription-Based Information Technology Arrangements

The District subscription liabilities with an initial, individual value of \$5,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's estimated incremental borrowing rate is based on the District's risk-free rate.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

7. Capital Assets

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

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

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

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

8. Deferred Outflows of Resources

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

9. Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – *vacation* and *sick leave*. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Compensated Absences (Continued)

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

10. Pension/OPEB Plans

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

11. Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2025 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, 2025

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

12. Net Position

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

13. Fund Equity

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

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

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

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

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

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

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

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

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

B. Deficit Fund Balances

At June 30, 2025, the following nonmajor funds reported deficits in fund balance.

Fund	Deficit
Governmental funds:	
Food Service	\$ (8,265)

The deficit in the nonmajor Food Service fund will be eliminated with the receipt of revenues during the period of availability in the next fiscal year.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Deposits and investments at June 30, 2025 consist of the following:

Deposits:	
Cash in Bank	\$ 321,537
Investments:	
Cash on Deposit with County Treasurer	3,946,031
Total Cash and Investments	<u>\$ 4,267,568</u>

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Deposits

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District does not have a formal policy regarding custodial credit risk. However, at June 30, 2025 the District's bank balance was \$321,537. Of the bank balance, \$250,000 was insured by federal depository insurance, and the remaining \$71,537 of the District's deposits were covered by collateral held by the pledging financial institution's trust department or agent but not in the District's name.

Investments

At June 30, 2025, 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. The weighted average maturity of the District's deposits with the County Treasurer was 0.51 years.

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.

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.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

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	\$ 58,591
Operating Grants	7,870
Total	<u>\$ 66,461</u>

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

Capital asset activity for the year ended June 30, 2025 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 172,000	\$ -	\$ -	\$ 172,000
Construction in progress	4,426	9,866	-	14,292
Total Capital Assets, Not Being Depreciated	<u>176,426</u>	<u>9,866</u>	<u>-</u>	<u>186,292</u>
Capital Assets, Being Depreciated:				
Land Improvements	1,451,022	13,008	(112,412)	1,351,618
Buildings and Building Improvements	3,367,226	22,852	-	3,390,078
Furniture, Equipment, and Vehicles	830,537	12,796	(166,616)	676,717
Intangibles:				
Right-to-Use Subscription Assets	18,450	5,000	-	23,450
Right-to-Use Lease Assets:				
Equipment	28,099	-	-	28,099
Total Capital Assets, Being Depreciated	<u>5,695,334</u>	<u>53,656</u>	<u>(279,028)</u>	<u>5,469,962</u>
Accumulated Depreciation for:				
Land Improvements	(1,017,038)	(38,107)	112,412	(942,733)
Buildings and Building Improvements	(2,568,511)	(98,443)	-	(2,666,954)
Furniture, Equipment, and Vehicles	(437,889)	(47,268)	128,397	(356,760)
Intangibles:				
Right-to-Use Subscription Assets	(615)	(6,190)	-	(6,805)
Right-to-Use Lease Assets:				
Equipment	(6,439)	(7,025)	-	(13,464)
Total Accumulated Depreciation	<u>(4,030,492)</u>	<u>(197,033)</u>	<u>240,809</u>	<u>(3,986,716)</u>
Total Capital Assets, Being Depreciated, Net	<u>1,664,842</u>	<u>(143,377)</u>	<u>(38,219)</u>	<u>1,483,246</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,841,268</u>	<u>\$ (133,511)</u>	<u>\$ (38,219)</u>	<u>\$ 1,669,538</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Instruction	\$ 87,332
Support Services:	
Students	25,428
Business and other support services	12,748
Operations and Maintenance of Plant	33,519
Student Transportation	35,393
Operation of Noninstructional Services	2,613
Total	<u>\$ 197,033</u>

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

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, 2025, the District recognized \$42,592 and \$21,434 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%.

B. Interfund Receivables, Payables, and Transfers

As of June 30, 2025, interfund receivables and payables were as follows:

Due From	Due to General Fund
Nonmajor Governmental Funds	\$ 13,451

The above interfund receivables and payables are due to cash shortfalls at June 30, 2025. Cash was received subsequent to June 30, 2025 to repay the short-term borrowings.

There were no interfund transfers recorded during the year ended June 30, 2025.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2025 are as follows:

	Beginning Balance	Additions	Retirements	Ending Balance	Due within One Year
Governmental Activities:					
Other Liabilities:					
Lease Payables	\$ 22,059	\$ -	\$ (6,762)	\$ 15,297	\$ 6,948
Compensated Absences	47,276	63,057	-	110,333	75,112
Net Other Postemployment Benefits	1,947	-	(1,578)	369	-
Net Pension Liability	<u>2,445,016</u>	<u>-</u>	<u>(108,796)</u>	<u>2,336,220</u>	<u>-</u>
Governmental Activities					
Long-Term Liabilities	<u>\$ 2,516,298</u>	<u>\$ 63,057</u>	<u>\$ (117,136)</u>	<u>\$ 2,462,219</u>	<u>\$ 82,060</u>

The change in the compensated absence liability is presented as a net change.

D. Leases

The District has obtained the right-to-use copier equipment under the provisions of a lease agreement.

The total amount of lease assets and the related accumulated amortization are as follows:

Right-to-Use Assets:	
Equipment	\$ 28,099
Less: Accumulated Amortization	<u>(13,464)</u>
Total	<u>\$ 14,635</u>

The following schedule details minimum lease payments for the District's leases payable at June 30, 2025:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2026	\$ 6,948	\$ 313
2027	7,140	122
2028	1,209	1
Total	<u>\$ 15,297</u>	<u>\$ 436</u>

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Subscription-Based Information Technology Arrangements (SBITAs)

The District has obtained the right-to-use online curriculum software and underlying licenses under the provisions of a subscription-based information technology arrangement.

The total amount of subscription assets and the related accumulated amortization are as follows:

Right-to-Use Assets:	
Subscription-Based IT Arrangements	\$ 23,450
Less: Accumulated Amortization	<u>(6,805)</u>
Total	<u><u>\$ 16,645</u></u>

The total amount of the curriculum subscription was paid up front, therefore no subscription liability is presented in the District's financial statements.

F. Fund Balance Classifications

The fund balance classifications of the governmental funds as of June 30, 2025 were as follows:

	General Fund	Special Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable:				
Inventory	\$ -	\$ -	\$ 5,186	\$ 5,186
Prepays	49,744	-	-	49,744
Total Nonspendable	49,744	-	5,186	54,930
Restricted:				
Teacher Compensation Programs	-	-	92,991	92,991
Instructional Improvement Programs	-	-	61,786	61,786
Federal and State Instructional Programs	-	76,395	-	76,395
Community Programs	-	-	1	1
Noninstructional Programs	-	-	149,453	149,453
Other	-	-	5,529	5,529
Capital Projects	-	-	24,860	24,860
Student Activities	-	-	12,511	12,511
Total Restricted	-	76,395	347,131	423,526
Unassigned	4,026,173	-	(13,451)	4,012,722
Total Fund Balances	\$ 4,075,917	\$ 76,395	\$ 338,866	\$ 4,491,178

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2025

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, 2025, the District reported the following amounts related to its proportionate share of the ASRS pension and other postemployment benefit plans:

Statement of Net Position and Statement of Activities	Pension	Other Postemployment Benefits		Governmental Activities
		Health Benefit Subsidy	Long-Term Disability	
Net Pension and OPEB Liability (Asset)	\$ 2,336,220	\$ (83,565)	\$ 369	\$ 2,253,024
Deferred Outflows of Resources	389,865	9,910	5,213	404,988
Deferred Inflows of Resources	366,776	27,101	4,683	398,560
Pension/OPEB Expense	96,836	(10,484)	1,671	88,023

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, 2025

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, 2025, statute required active ASRS members were required by statute to contribute at the actuarially determined rate of 12.27% (12.12% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.27% (12.05% for retirement, 0.07% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.19% (10.14% for retirement and 0.05% 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, 2025 were \$259,459, \$2,073, and \$2,930, respectively.

During the fiscal year ended June 30, 2024, 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, 2025**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Liability – At June 30, 2025, 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	\$	2,336,220
Health Insurance Premium Benefit		(83,565)
Long-Term Disability		369

The net asset and net liabilities were measured as of June 30, 2024. 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, 2023, to the measurement date of June 30, 2024.

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, 2024, and the change from its proportions measured as of June 30, 2023, were:

	Proportion June 30, 2024	Increase (decrease) from June 30, 2023
Pension	0.01460%	-0.00051%
Health Insurance Premium Benefit	0.01383%	-0.00041%
Long-Term Disability	0.01417%	-0.00069%

Expense – For the year ended June 30, 2025, the District recognized the following pension and OPEB expense:

		Pension/OPEB Expense
Pension	\$	96,836
Health Insurance Premium Benefit		(10,484)
Long-Term Disability		1,671

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Deferred outflows/inflows of resources – At June, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

Pension	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 130,406	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	149,193
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	217,583
Contributions Subsequent to the Measurement Date	259,459	-
Total	<u>\$ 389,865</u>	<u>\$ 366,776</u>
Health Insurance Premium (OPEB)	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 2,418	\$ 20,178
Changes of Assumptions or Other Inputs	-	867
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	5,744
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	5,419	312
Contributions Subsequent to the Measurement Date	2,073	-
Total	<u>\$ 9,910</u>	<u>\$ 27,101</u>
Long-Term Disability (OPEB)	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 1,358	\$ 984
Changes of Assumptions or Other Inputs	267	2,211
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	403
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	658	1,085
Contributions Subsequent to the Measurement Date	2,930	-
Total	<u>\$ 5,213</u>	<u>\$ 4,683</u>

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

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, 2026. 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>
2026	\$ (259,442)	\$ (14,051)	\$ (641)
2027	88,217	(2,103)	(137)
2028	(37,766)	(1,998)	(643)
2029	(27,379)	(921)	(640)
2030	-	(191)	(293)
Thereafter	-	-	(46)

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

Actuarial Valuation Date	June 30, 2023
Actuarial Roll Forward Date	June 30, 2024
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 SRA Scale U-MP
Recovery Rates	2012 GLDT for long-term disability
Healthcare Cost Trend Rate	Not applicable

Actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial study for the five-year period ended June 30, 2020.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public Equity	44 %	3.50 %
Credit	23	5.90
Real Estate	17	5.90
Private Equity	10	6.70
Interest Rate Sensitive	6	1.50
Total	100 %	

Discount Rate – At June 30, 2024, 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/OPEB (Asset) Liability to Changes in the Discount Rate – The following table presents the District’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.0%, as well as what the District’s proportionate share of the net pension/OPEB (asset) liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
District's Proportionate Share of the Net Pension Liability	\$ 3,662,275	\$ 2,336,220	\$ 1,430,038
Health Insurance Premium	(53,740)	(83,565)	(96,555)
Long-Term Disability	2,847	369	1,062

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025**

NOTE 4 OTHER INFORMATION (CONTINUED)

B. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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 PROPORTIONATE SHARE OF THE NET PENSION/OPEB
(ASSET)/LIABILITY
JUNE 30, 2025

ASRS - Pension

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
District's Proportion of the Net Pension Liability	0.01460%	0.01511%	0.01871%	0.01618%	0.01647%
District's Proportionate Share of the Net Pension Liability	\$ 2,336,220	\$ 2,445,016	\$ 3,053,888	\$ 2,125,980	\$ 2,853,678
District's Covered Payroll	\$ 2,168,531	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	107.73%	116.39%	137.09%	116.86%	158.54%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.93%	75.47%	74.26%	78.58%	69.33%

ASRS - Health Insurance Premium Benefit (HIPB)

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
District's Proportion of the Net HIPB Asset	0.01383%	0.01424%	1.70200%	0.01654%	0.01687%
District's Proportionate Share of the Net HIPB Asset	\$ (83,565)	\$ (76,886)	\$ (94,988)	\$ (80,584)	\$ (11,944)
District's Covered Payroll	\$ 2,168,531	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000
District's Proportionate Share of the Net HIPB Asset as a Percentage of its Covered Payroll	-3.85%	-3.66%	-4.26%	-4.43%	-0.66%
Plan Fiduciary Net Position as a Percentage of the Total HIPB Asset	137.51%	134.37%	137.79%	130.24%	104.33%

ASRS - Long-Term Disability (LTD)

	Reporting Fiscal Year (Measurement Date)				
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)
District's Proportion of the Net LTD Liability	0.01417%	0.01486%	0.01778%	0.01634%	0.01672%
District's Proportionate Share of the LTD Liability	\$ 369	\$ 1,947	\$ 1,642	\$ 3,373	\$ 12,684
District's Covered Payroll	\$ 2,168,531	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288	\$ 1,800,000
District's Proportionate Share of the Net LTD Liability as a Percentage of its Covered Payroll	0.02%	0.09%	0.07%	0.19%	0.70%
Plan Fiduciary Net Position as a Percentage of the Total LTD Liability	98.77%	93.70%	95.40%	90.38%	68.01%

See accompanying Notes to Required Supplementary Information.

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION/OPEB
(ASSET)/LIABILITY (CONTINUED)
JUNE 30, 2025**

Reporting Fiscal Year (Measurement Date)				
2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
0.016210%	0.017190%	0.016400%	0.017090%	0.171800%
\$ 2,358,744	\$ 2,397,400	\$ 2,544,800	\$ 2,758,498	\$ 2,675,913
\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	\$ 1,556,966	\$ 1,586,128
126.78%	132.93%	151.94%	177.17%	168.71%
73.24%	73.40%	67.06%	67.06%	68.35%

Reporting Fiscal Year (Measurement Date)			
2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015 information not available
0.01599%	0.01627%	0.01546%	
\$ (4,419)	\$ (5,859)	\$ (8,416)	
\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	
-0.24%	-0.32%	-0.50%	
101.62%	102.20%	103.57%	

Reporting Fiscal Year (Measurement Date)			
2020 (2019)	2019 (2018)	2018 (2017)	2017 through 2015 information not available
0.01609%	0.01716%	0.01573%	
\$ 10,482	\$ 8,966	\$ 5,702	
\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	
0.56%	0.50%	0.34%	
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, 2025**

ASRS - Pension

	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily Required Contribution	\$ 259,459	\$ 245,514	\$ 235,183	\$ 267,543	\$ 211,947
District's Contributions in Relation to the Statutorily Required Contribution	<u>259,459</u>	<u>245,514</u>	<u>235,183</u>	<u>267,543</u>	<u>211,947</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,212,031	\$ 2,168,531	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288
District's Contributions as a Percentage of Covered Payroll	11.73%	11.32%	11.20%	12.01%	11.65%

ASRS - Health Insurance Premium Benefit

	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily Required Contribution	\$ 2,073	\$ 2,073	\$ 1,996	\$ 4,151	\$ 7,074
District's Contributions in Relation to the Statutorily Required Contribution	<u>2,073</u>	<u>2,073</u>	<u>1,996</u>	<u>4,151</u>	<u>7,074</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,212,031	\$ 2,168,531	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288
District's Contributions as a Percentage of Covered Payroll	0.09%	0.10%	0.10%	0.19%	0.39%

ASRS - Long-Term Disability

	Reporting Fiscal Year				
	2025	2024	2023	2022	2021
Statutorily Required Contribution	\$ 2,930	\$ 2,930	\$ 2,688	\$ 3,983	\$ 3,264
District's Contributions in Relation to the Statutorily Required Contribution	<u>2,930</u>	<u>2,930</u>	<u>2,688</u>	<u>3,983</u>	<u>3,264</u>
District's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's Covered Payroll	\$ 2,212,031	\$ 2,168,531	\$ 2,100,780	\$ 2,227,669	\$ 1,819,288
District's Contributions as a Percentage of Covered Payroll	0.13%	0.14%	0.13%	0.18%	0.18%

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 (CONTINUED)
JUNE 30, 2025**

Reporting Fiscal Year				
2020	2019	2018	2017	2016
\$ 206,100	\$ 191,121	\$ 186,340	\$ 177,950	\$ 167,451
206,100	191,121	186,340	177,950	167,451
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	\$ 1,674,825	\$ 1,556,966
11.45%	10.27%	10.33%	10.62%	10.75%

Reporting Fiscal Year			
2020	2019	2018	2017 through 2015 information not available
\$ 8,820	\$ 7,570	\$ 6,985	
8,820	7,570	6,985	
\$ -	\$ -	\$ -	
\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	
0.49%	0.41%	0.39%	

Reporting Fiscal Year			
2020	2019	2018	2017 through 2015 information not available
\$ 3,065	\$ 2,673	\$ 2,722	
3,065	2,673	2,722	
\$ -	\$ -	\$ -	
\$ 1,800,000	\$ 1,860,547	\$ 1,803,460	
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, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Property Taxes	\$ -	\$ -	\$ 3,052,923	\$ 3,052,923
Intergovernmental	-	-	169,504	169,504
Tuition	-	-	33,513	33,513
Contributions and Donations	-	-	2,663	2,663
Investment Earnings	-	-	41,001	41,001
Other	-	-	22,344	22,344
Total Revenues	-	-	3,321,948	3,321,948
EXPENDITURES				
Regular Education:				
Instruction	1,560,500	2,087,018	1,232,403	854,615
Support Services - Students	157,000	157,000	68,875	88,125
Support Services - Instructional Staff	4,550	4,550	1,306	3,244
Support Services - General Administration	177,000	177,000	237,523	(60,523)
Support Services - School Administration	143,500	143,500	60,712	82,788
Support Services - Central Services	211,500	211,500	240,213	(28,713)
Operations and Maintenance of Plant	470,000	470,000	353,156	116,844
Operation of Noninstructional Services	95,000	120,000	101,622	18,378
School - Sponsored Cocurricular Activities	97,200	97,200	-	97,200
Total Regular Education	2,916,250	3,467,768	2,295,810	1,074,758
Special Education:				
Instruction	354,000	354,000	645,771	(291,771)
Support Services - Students	365,000	148,309	54,710	93,599
Support Services - Instructional Staff	40,000	40,000	35,164	4,836
Total Special Education	759,000	542,309	735,645	(193,336)
Pupil Transportation:				
Student Transportation Services	198,000	278,000	132,391	145,609
K-3 Reading Program:				
Instruction	-	5,002	4,875	127
Facilities Acquisition	-	-	30,088	(30,088)
Total Expenditures	3,873,250	4,293,079	3,198,809	1,027,158
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(3,873,250)	(4,293,079)	123,139	4,349,106
FUND BALANCE				
Beginning of Year	-	-	1,406,001	1,406,001
End of Year	\$ (3,873,250)	\$ (4,293,079)	\$ 1,529,140	\$ 5,822,219

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, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 310,632	\$ 310,632
Investment Earnings	-	-	64	64
Other	-	-	-	-
Total Revenues	-	-	310,696	310,696
EXPENDITURES				
Instruction	163,810	788,718	138,660	650,058
Support Services				
Students	1,676	8,071	1,419	6,652
Instructional Staff	10,619	51,131	8,989	42,142
School Administration	2,557	12,309	2,164	10,145
Business and Other Support Services	7,118	34,271	6,025	28,246
Facilities Acquisition	-	-	-	-
Total Expenditures	185,780	894,500	157,257	737,243
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(185,780)	(894,500)	153,439	1,047,939
FUND BALANCE				
Beginning of Year	-	-	(77,044)	(77,044)
End of Year	<u>\$ (185,780)</u>	<u>\$ (894,500)</u>	<u>\$ 76,395</u>	<u>\$ 970,895</u>

See accompanying Notes to Required Supplementary Information.

PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2025

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	\$ 3,601,820	\$ 3,309,279	\$ 3,783,376	\$ 4,075,917
Non Maintenance and Operation Activity Included in General Fund	(279,874)	(110,470)	(2,377,375)	(2,546,779)
Budgetary Comparison Schedule - General Fund	\$ 3,321,948	\$ 3,198,809	\$ 1,406,001	\$ 1,529,140

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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pine Strawberry Elementary School District No. 12 (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 13, 2026.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the deficiency described in the accompanying schedule of findings and responses as item 2025-001 to be a material weakness.

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 deficiency described in the accompanying schedule of findings and responses as item 2025-002 to be a significant deficiency.

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

Tempe, Arizona
March 13, 2026

**PINE STRAWBERRY ELEMENTARY SCHOOL DISTRICT NO. 12
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2025**

2025-001 Financial Reporting

Material Weakness in Internal Control over Financial Reporting

Repeat Finding: Yes 2024-001

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, 2025**

2025-002 Internal Controls over Revenues

Significant Deficiency in Internal Control over Financial Reporting

Repeat Finding: Yes 2024-004

Condition/Context: The District lacked internal control procedures to reconcile 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.

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