

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
ASH FORK, ARIZONA**

**ANNUAL FINANCIAL REPORT  
AND  
REPORT ON INTERNAL CONTROL AND COMPLIANCE**

**FISCAL YEAR ENDED JUNE 30, 2022**

**Issued by:  
Business and Finance Department**

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## **INDEPENDENT AUDITOR'S REPORT**

Governing Board of  
Ash Fork Joint Unified School District No. 31  
Ash Fork, Arizona

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ash Fork Joint Unified School District No. 31, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2022, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***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.



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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 beginning on page 7, the budgetary comparison information beginning on page 49, the pension information beginning on page 50, and the related note to required supplementary information beginning on page 54 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 auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the 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.



*Certified Public Accountant  
Chandler, Arizona*

March 23, 2023

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**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**(Required Supplementary Information)**

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**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

As management of the Ash Fork Joint Unified School District No. 31 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the audited financial statements included in this report.

**FINANCIAL HIGHLIGHTS**

Key financial highlights for fiscal year June 30, 2022, were as follows:

- As of June 30, 2022, the District's total net position was \$12.7 million. This is an increase of \$587,239, or 4.8 percent, from fiscal year 2020-21.
- General revenues of \$4.0 million accounted for 79.5 percent of all fiscal year 2021-22 revenues. Program specific revenues in the form of charges for services and operating grants and contributions of \$1.0 million accounted for 20.5 percent of total fiscal year 2021-22 revenues.
- The District had \$4.5 million in expenses related to governmental activities; of which \$1.0 million of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues of \$4.0 million provided the resources for the remaining \$3.4 million of District costs. The excess between the general revenues and remaining District costs resulted in net position increasing \$587,239.
- The General Fund reported \$2.6 million in revenues and \$3.0 million in expenditures. The revenues consisted primarily of \$1.6 million in property taxes and \$608,819 in state aid and grants. As a result of annual activity, the General Fund's fund balance decreased \$365,992.
- The District's net capital assets increased \$327,774 as a result of activity throughout the year. For additional information regarding the capital assets, see financial statement note 5.
- The District made a \$10,089 principal payment on an outstanding capital lease reducing the principal balance to \$38,721 as of June 30, 2022. For further information regarding leases, see financial statement note 8.

**OVERVIEW OF FINANCIAL STATEMENTS**

The District's basic financial statements are comprised of the government-wide financial statements, the fund financial statements and the notes to the financial statements. These sections provide a comprehensive overview of the District's finances.

**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.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**  
**JUNE 30, 2022**

**OVERVIEW OF FINANCIAL STATEMENTS**

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 between them 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 future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extra-curricular activities, curriculum and staff development, and general administration. Property taxes, intergovernmental revenues and grants finance most of these activities.

**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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be presented within 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 of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District'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 District's near-term financing decisions. 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.

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 all major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

**OVERVIEW OF FINANCIAL STATEMENTS**

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Required supplementary information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison schedule is provided for the General Fund and any major special revenue funds. Additionally, pension schedules detailing the District's proportionate share of net pension liability and pension contributions are presented as required supplementary information.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table presents a comparison of the District's net position for the fiscal years ended June 30, 2022 and 2021.

	As of June 30, 2022	(Restated) As of June 30, 2021	Change	Percent Change
<b>ASSETS</b>				
Current assets	\$ 6,713,439	\$ 6,091,278	\$ 622,161	10.2 %
Capital assets	9,020,381	8,692,607	327,774	3.8 %
<b>Total assets</b>	<u>15,733,820</u>	<u>14,783,885</u>	<u>949,935</u>	<u>6.4 %</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>688,730</u>	<u>552,400</u>	<u>136,330</u>	<u>24.7 %</u>
<b>LIABILITIES</b>				
Current liabilities	757,089	479,008	278,081	58.1 %
Noncurrent liabilities	2,231,224	2,696,268	(465,044)	(17.2)%
<b>Total liabilities</b>	<u>2,988,313</u>	<u>3,175,276</u>	<u>(186,963)</u>	<u>(5.9)%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>693,269</u>	<u>7,280</u>	<u>685,989</u>	<u>9,422.9 %</u>
<b>NET POSITION</b>				
Net investment in capital assets	8,981,660	8,746,978	234,682	2.7 %
Restricted	2,765,804	1,996,112	769,692	38.6 %
Unrestricted	993,504	1,410,639	(417,135)	(29.6)%
<b>Total net position</b>	<u>\$ 12,740,968</u>	<u>\$ 12,153,729</u>	<u>\$ 587,239</u>	<u>4.8 %</u>

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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 \$12.7 million as of June 30, 2022. The following represents significant information regarding changes and balances:

- The District's current assets increased \$622,161 primarily due to an increase in property tax receivable.
- The District had \$855,977 of additions and fully depreciated deletions to capital assets that were offset by depreciation/amortization expense of \$528,203, resulting in an overall net increase in capital assets of \$327,774.
- Current liabilities increased \$278,081 due to a decrease in expenses during the 60-day encumbrance period after year end as compared to the prior year.
- Noncurrent liabilities decreased \$465,044, deferred outflows of resources increased \$136,330, and deferred inflows of resources increased \$685,989 primarily due to the results of investment activity and participant activity when compared to Arizona State Retirement System's estimates.
- By far, the largest portion of the District's net position, \$9.0 million, reflects its net investment in capital assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Additionally, \$2.8 million of the District's net position represents resources that are subject to external restrictions. The remaining balance of net position, \$993,504, is considered unrestricted. For additional information regarding net position, see financial statement note 1.O.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table presents a comparison of the changes in net position for the fiscal years ended June 30, 2022 and 2021.

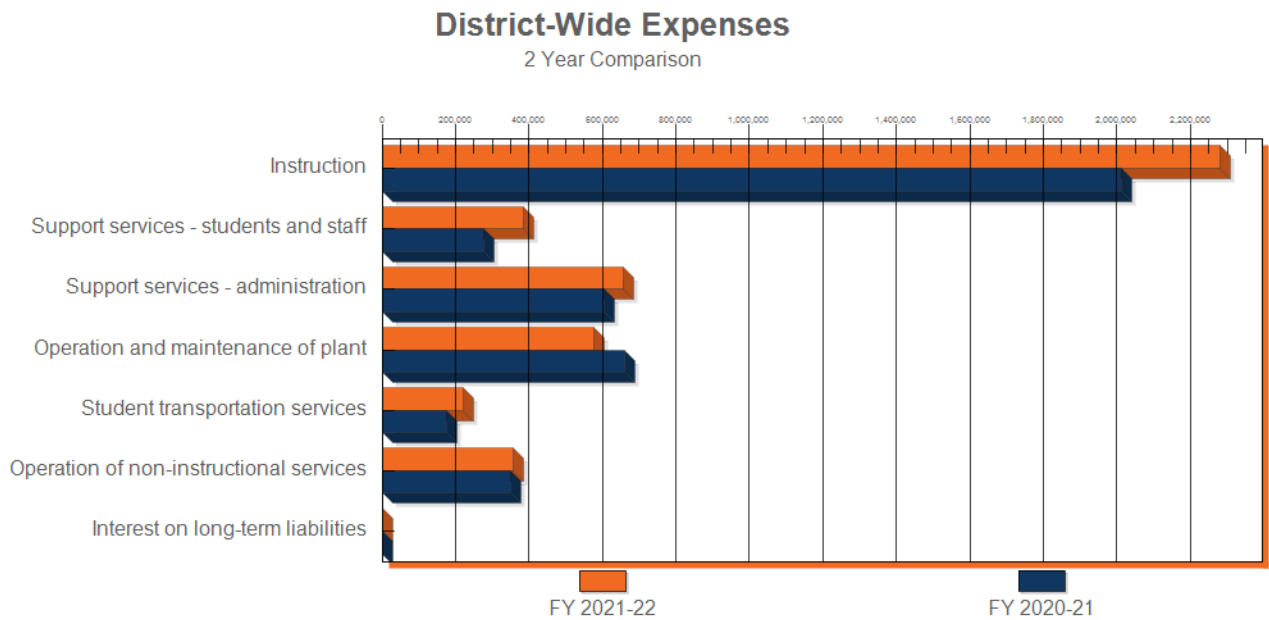
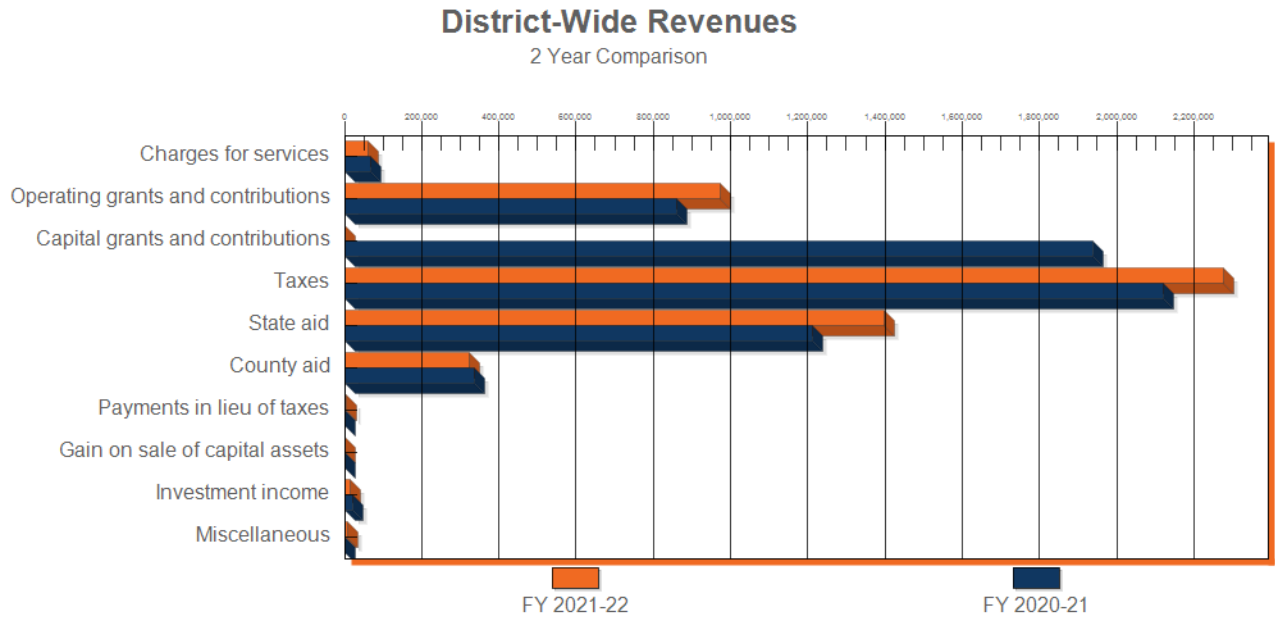
	Fiscal Year Ended <u>June 30, 2022</u>	Fiscal Year Ended <u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 61,826	\$ 67,029	\$ (5,203)	(7.8)%
Operating grants and contributions	974,965	860,167	114,798	13.3 %
Capital grants and contributions	-	1,937,937	(1,937,937)	(100.0)%
General revenues:				
Taxes	2,277,496	2,122,414	155,082	7.3 %
State aid	1,398,915	1,213,326	185,589	15.3 %
County aid	321,908	336,799	(14,891)	(4.4)%
Payments in lieu of taxes	4,580	-	4,580	100.0 %
Gain on sale of capital assets	40	-	40	100.0 %
Investment income	14,778	20,401	(5,623)	(27.6)%
Miscellaneous	7,999	-	7,999	100.0 %
<b>Total revenues</b>	<u>5,062,507</u>	<u>6,558,073</u>	<u>(1,495,566)</u>	<u>(22.8)%</u>
<b>Expenses:</b>				
Instruction	2,279,904	2,014,015	265,889	13.2 %
Support services - students and staff	385,273	275,660	109,613	39.8 %
Support services - administration	655,279	602,833	52,446	8.7 %
Operation and maintenance of plant	576,609	660,222	(83,613)	(12.7)%
Student transportation services	220,793	174,584	46,209	26.5 %
Operation of non-instructional services	356,939	350,167	6,772	1.9 %
Interest on long-term liabilities	471	-	471	100.0 %
<b>Total expenses</b>	<u>4,475,268</u>	<u>4,077,481</u>	<u>397,787</u>	<u>9.8 %</u>
<b>Change in net position</b>	587,239	2,480,592	(1,893,353)	(76.3)%
<b>Beginning net position, restated</b>	<u>12,153,729</u>	<u>9,673,137</u>	<u>2,480,592</u>	<u>25.6 %</u>
<b>Ending net position</b>	<u><u>\$ 12,740,968</u></u>	<u><u>\$ 12,153,729</u></u>	<u><u>\$ 587,239</u></u>	<u><u>4.8 %</u></u>

Net position increased \$587,239; the following represents significant information regarding changes:

- Revenues decreased \$1.5 million primarily due to revenues received in the prior year for construction and supply projects that were not repeated being offset by an increase in state aid.
- Expenses increased \$397,787 due to extra pay provided to teachers utilizing COVID-19 federal funding.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**





**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table displays information from the *Statement of Activities* governmental activities and compares the net cost of services for the two years ended June 30, 2022 and 2021.

<b><u>Expense Function</u></b>	<b>Net (Expense) Revenue <u>June 30, 2022</u></b>	<b>Net (Expense) Revenue <u>June 30, 2021</u></b>	<b><u>Change</u></b>	<b>Percent <u>Change</u></b>
Instruction	\$ (1,998,739)	\$ 305,931	\$ (2,304,670)	(753.3)%
Support services - students and staff	(118,697)	69,191	(187,888)	(271.5)%
Support services - administration	(647,245)	(598,572)	(48,673)	(8.1)%
Operation and maintenance of plant	(571,163)	(658,557)	87,394	13.3 %
Student transportation services	24,276	(174,584)	198,860	113.9 %
Operation of non-instructional services	(126,438)	(151,840)	25,402	16.7 %
Interest on long-term liabilities	(471)	-	(471)	(100.0)%
<b>Total</b>	<b><u>\$ (3,438,477)</u></b>	<b><u>\$ (1,208,431)</u></b>	<b><u>\$ (2,230,046)</u></b>	<b><u>(184.5)%</u></b>

The net cost of services increased \$2.2 million, or 184.5 percent, due to overall expenses increasing \$397,787 while program revenues decreased \$1.8 million. The following represents significant information regarding changes and balances:

- Program revenues of \$1.0 million subsidized the government-wide expenses.
- The remaining net costs of governmental activities of \$3.4 million were financed through general revenues.

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

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

The following table provides analysis of the District's major and other governmental funds' fund balances and the total change in fund balances for the two years ended June 30, 2022 and 2021.

<b><u>Fund</u></b>	<b><u>June 30, 2022</u></b>	<b><u>June 30, 2021</u></b>	<b><u>Change</u></b>	<b>Percent <u>Change</u></b>
General Fund	\$ 3,114,791	\$ 3,480,783	\$ (365,992)	(10.5)%
Unrestricted Capital Outlay Fund	1,973,655	1,415,320	558,335	39.4 %
Other Governmental Funds	792,149	680,855	111,294	16.3 %
<b>Total</b>	<b><u>\$ 5,880,595</u></b>	<b><u>\$ 5,576,958</u></b>	<b><u>\$ 303,637</u></b>	<b><u>5.4 %</u></b>

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The total governmental fund balances were \$5.9 million at June 30, 2022. It is not expected that the nature of the restrictions, commitments or other limitations on fund balances will significantly affect future operations. Specifically, overall governmental fund balance increased \$303,637 and the following represents significant information regarding changes:

- The General Fund's fund balance decreased \$365,992, or 10.5 percent, primarily due to increased unrestricted state aid revenues in the current year. Of the General Fund's fund balance, \$3.1 million is unassigned which may serve as a useful measure of net resources available for spending at June 30, 2022.
- The Unrestricted Capital Outlay Fund's fund balance increased \$558,335, or 39.4 percent, due to increased proceeds from property tax and state aid.
- The Other Governmental Funds' fund balance increased \$111,294, or 16.3 percent, primarily due to reduced expenditures in the current fiscal year.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The District's budget is prepared annually according to Arizona law. The General Fund Budgetary Comparison Schedule presents the budgeted amounts, as well as the variances between the final budget and the actual expenditures incurred.

The State of Arizona does not require school districts to prepare a revenue budget. The District updates revenue amounts reported based on actual revenues; therefore, there were no variances from the amount budgeted for the final amended budget and actual revenues.

The General Fund's adopted budget for the fiscal year ending June 30, 2022, was \$6.0 million. Over the course of the year, the District revised the General Fund annual expenditure budget to \$6.4 million to reflect revised staffing levels.

The actual amounts expended in the General Fund were \$2.8 million, which was \$3.6 million, or 56.6 percent, less than the final budget. This difference was primarily due to allowable budget capacity being higher than than operations during the current year. When expenditures are compared to prior year, then expenditures increase, mainly due to increased COVID-19 federal funding allowing increased teacher payments.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

**CAPITAL ASSETS**

As of June 30, 2022, the District had invested \$9.0 million in capital assets (net of accumulated depreciation/amortization) including school buildings, athletic facilities, buses, computers, and other equipment.

The following schedule presents a comparison of the capital asset balances for the years ended June 30, 2022 and 2021.

<u>Governmental activities:</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
Land	\$ 178,478	\$ 178,478	\$ -	- %
Construction in progress	595,563	-	595,563	100.0 %
Land improvements	3,577,270	3,566,451	10,819	0.3 %
Buildings and improvements	9,146,818	9,146,818	-	- %
Vehicles, furniture, and equipment	1,056,904	941,097	115,807	12.3 %
Equipment	48,810	48,810	-	- %
Total	<u>14,603,843</u>	<u>13,881,654</u>	<u>722,189</u>	<u>5.2 %</u>
Less: accumulated depreciation/amortization	<u>(5,583,462)</u>	<u>(5,189,047)</u>	<u>(394,415)</u>	<u>(7.6)%</u>
Capital assets, net	<u>\$ 9,020,381</u>	<u>\$ 8,692,607</u>	<u>\$ 327,774</u>	<u>3.8 %</u>

A more in-depth analysis of material activity within capital assets is presented within the analysis of the *Statement of Net Position* earlier in the Management's Discussion and Analysis. Detailed information on the District's capital assets can be found in financial statement note 5.

**LONG-TERM LIABILITIES**

The following schedule presents a comparison of long-term liabilities for the years ended June 30, 2022 and 2021.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
Net pension liability	2,177,224	2,642,294	(465,070)	(17.6)%
Leases payable	38,721	48,810	(10,089)	(20.7)%
Compensated absences	15,279	20,656	(5,377)	(26.0)%
Total	<u>\$ 2,231,224</u>	<u>\$ 2,711,760</u>	<u>\$ (480,536)</u>	<u>(17.7)%</u>

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2022**

Overall long-term liabilities balance decreased \$480,536. The following represents significant information regarding changes:

- Net pension liability decreased \$465,070, or 17.6 percent, due to the results of investment activity and participant activity when compared to anticipated results as determined by the Arizona State Retirement System's actuaries.
- The leases payable decreased \$10,089, or 20.7 percent, due to the payment of principal as required by the capital lease agreements.
- Compensated absences decreased \$5,377, or 26.0 percent, due to the accrual and use of available leave balances by employees.

For additional information regarding long-term liabilities, see financial statement note 6.

**ECONOMIC FACTORS AND NEXT YEAR'S GENERAL FUND BUDGET AND RATES**

Amounts available in the General Fund's fiscal year 2022-23 budget are \$6.5 million, an increase of 1.0 percent.

Many factors were considered by the District's administration during the process of developing the General Fund's budget for fiscal year 2022-23, the primary factors considered were:

- An estimation the District's student population will remain consistent for fiscal year 2022-23.
- Expected salaries of \$2.1 million will remain consistent allowing for increases for inflation and expected state funding changes.
- The local economy and inflation of the surrounding area.
- Available budget balance carryforward is \$3.6 million.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Ash Fork Joint Unified School District No. 31, 46999 N. 5th St., Ash Fork, Arizona 86320.

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## GOVERNMENT-WIDE FINANCIAL STATEMENTS

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**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 6,584,154
Refundable deposit	7,823
Property taxes receivable	117,004
Due from other governments	4,458
Capital assets:	
Capital assets not being depreciated/amortized	774,041
Capital assets being depreciated/amortized, net	<u>8,246,340</u>
<b>Total assets</b>	<u><b>15,733,820</b></u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	<u>688,730</u>
<b>LIABILITIES</b>	
Accounts payable	18,737
Due to other governments	631,443
Accrued payroll and benefits	51,355
Health benefits payable	49,834
Advances from grantors	5,720
Noncurrent liabilities:	
Due within one year	12,159
Due in more than one year	<u>2,219,065</u>
<b>Total liabilities</b>	<u><b>2,988,313</b></u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	<u>693,269</u>
<b>NET POSITION</b>	
Net investment in capital assets	8,981,660
Restricted for:	
Capital outlay	1,973,655
Food service	50,758
Joint technological instruction	43,296
Voter approved initiatives	544,032
Other purposes	154,063
Unrestricted	<u>993,504</u>
<b>Total net position</b>	<u><b>\$ 12,740,968</b></u>

The accompanying notes are an integral part of these statements.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues		Net (Expense)
		Charges For Services	Operating Grants And Contributions	Revenue and Change in Net Position
				Governmental Activities
Governmental activities:				
Instruction	\$ 2,279,904	\$ 4,095	\$ 277,070	\$ (1,998,739)
Support services - students and staff	385,273	-	266,576	(118,697)
Support services - administration	655,279	-	8,034	(647,245)
Operation and maintenance of plant	576,609	-	5,446	(571,163)
Student transportation services	220,793	-	245,069	24,276
Operation of non-instructional services	356,939	57,731	172,770	(126,438)
Interest on long-term liabilities	471	-	-	(471)
Total governmental activities	<u>\$ 4,475,268</u>	<u>\$ 61,826</u>	<u>\$ 974,965</u>	<u>(3,438,477)</u>
General revenues:				
Taxes:				
Property taxes, general purposes				1,614,618
Property taxes, capital outlay				662,878
State aid:				
General purposes				608,819
Capital outlay				497,575
Instructional				292,521
County aid				321,908
Payments in lieu of taxes				4,580
Gain on sale of capital assets				40
Investment income				14,778
Miscellaneous				7,999
Total general revenues				<u>4,025,716</u>
Change in net position				587,239
Net position, July 1, 2021, as restated				<u>12,153,729</u>
Net position, June 30, 2022				<u>\$ 12,740,968</u>

The accompanying notes are an integral part of these statements.

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## **FUND FINANCIAL STATEMENTS**

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**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General Fund	Unrestricted Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 3,828,998	\$ 1,964,472	\$ 790,684	\$ 6,584,154
Refundable deposit	-	-	7,823	7,823
Property taxes receivable	83,118	33,886	-	117,004
Due from other governments	-	-	4,458	4,458
<b>Total assets</b>	<u>\$ 3,912,116</u>	<u>\$ 1,998,358</u>	<u>\$ 802,965</u>	<u>\$ 6,713,439</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 16,846	\$ 1,891	\$ -	\$ 18,737
Due to other governments	631,443	-	-	631,443
Accrued payroll and benefits	46,259	-	5,096	51,355
Health benefits payable	49,834	-	-	49,834
Advances from grantors	-	-	5,720	5,720
<b>Total liabilities</b>	<u>744,382</u>	<u>1,891</u>	<u>10,816</u>	<u>757,089</u>
<b>Deferred inflows of resources:</b>				
Unavailable revenue - property tax	52,943	22,812	-	75,755
<b>Total liabilities and deferred inflows of resources</b>	<u>797,325</u>	<u>24,703</u>	<u>10,816</u>	<u>832,844</u>
<b>Fund balances:</b>				
Restricted:				
Capital outlay	-	1,973,655	-	1,973,655
Food service	-	-	50,758	50,758
Career technical education	-	-	43,296	43,296
Voter approved initiatives	-	-	544,032	544,032
Other purposes	-	-	154,063	154,063
Unassigned	3,114,791	-	-	3,114,791
<b>Total fund balances</b>	<u>3,114,791</u>	<u>1,973,655</u>	<u>792,149</u>	<u>5,880,595</u>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<u>\$ 3,912,116</u>	<u>\$ 1,998,358</u>	<u>\$ 802,965</u>	<u>\$ 6,713,439</u>

The accompanying notes are an integral part of these statements.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2022**

<b>Fund balances - total governmental funds</b>	<b>\$ 5,880,595</b>
Amounts reported for governmental activities in the <i>Statement of Net Position</i> are different because:	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund statements.	9,020,381
Revenues reported in the <i>Statement of Activities</i> that will be collected beyond the 60 day recognition period do not provide current financial resources and are deferred in the governmental fund statements.	
Property taxes	75,755
Deferred outflows and inflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental fund statements.	
Deferred outflows of resources related to pensions	688,730
Deferred inflows of resources related to pensions	(693,269)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund statements.	
Net pension liability	(2,177,224)
Leases payable	(38,721)
Compensated absences	(15,279)
<b>Net position of governmental activities</b>	<b><u>\$ 12,740,968</u></b>

The accompanying notes are an integral part of these statements.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	General Fund	Unrestricted Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 1,600,190	\$ 652,355	\$ -	\$ 2,252,545
State aid and grants	608,819	497,575	407,297	1,513,691
Federal aid and grants	108,129	-	696,953	805,082
Other local revenue	<u>253,684</u>	<u>104,278</u>	<u>108,236</u>	<u>466,198</u>
<b>Total revenues</b>	<u>2,570,822</u>	<u>1,254,208</u>	<u>1,212,486</u>	<u>5,037,516</u>
<b>Expenditures:</b>				
Current:				
Instruction	1,514,575	50,854	460,470	2,025,899
Support services - students and staff	164,651	-	204,195	368,846
Support services - administration	630,699	1,156	7,203	639,058
Operation and maintenance of plant	403,332	15,032	4,664	423,028
Student transportation services	187,472	-	-	187,472
Operation of non-instructional services	56,382	420	166,277	223,079
Capital outlay	-	617,851	238,126	855,977
Debt service:				
Principal	-	10,089	-	10,089
Interest	<u>-</u>	<u>471</u>	<u>-</u>	<u>471</u>
<b>Total expenditures</b>	<u>2,957,111</u>	<u>695,873</u>	<u>1,080,935</u>	<u>4,733,919</u>
Excess (deficiency) of revenues over expenditures	(386,289)	558,335	131,551	303,597
<b>Other financing sources (uses):</b>				
Sale of capital assets	-	-	40	40
Transfers in	20,297	-	-	20,297
Transfers out	<u>-</u>	<u>-</u>	<u>(20,297)</u>	<u>(20,297)</u>
<b>Total other financing sources (uses)</b>	<u>20,297</u>	<u>-</u>	<u>(20,257)</u>	<u>40</u>
<b>Net change in fund balances</b>	(365,992)	558,335	111,294	303,637
<b>Fund balances, July 1, 2021</b>	<u>3,480,783</u>	<u>1,415,320</u>	<u>680,855</u>	<u>5,576,958</u>
<b>Fund balances, June 30, 2022</b>	<u><u>\$ 3,114,791</u></u>	<u><u>\$ 1,973,655</u></u>	<u><u>\$ 792,149</u></u>	<u><u>\$ 5,880,595</u></u>

The accompanying notes are an integral part of these statements.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES TO THE**  
**GOVERNMENT-WIDE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

**Net change in fund balances - total governmental funds** **\$ 303,637**

Amounts reported for the governmental activities in the *Statement of Activities* are different because:

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/amortization expense.

Capital outlay	855,977
Depreciation/amortization	(528,203)

Property taxes and other receipts in the *Statement of Activities* that do not provide current financial resources are not reported as revenues in the governmental funds.

Prior year unavailable property tax	(50,804)
Current year unavailable property tax	75,755

District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the *Statement of Net Position* because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the *Statement of Activities*.

Pension contribution	238,266
Pension expense	(322,855)

Repayments of principal on long-term liabilities are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the *Statement of Net Position*.

Leases payable	10,089
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Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the *Statement of Activities*, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.

Compensated absences	5,377
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**Change in net position of governmental activities** **\$ 587,239**

The accompanying notes are an integral part of these statements.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Ash Fork Joint Unified School District No. 31 (District) has prepared the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The more significant of the District's accounting policies are described below.

**A. Reporting Entity**

The District is a special-purpose government that a separately elected governing body governs. 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.

**B. Basis of Presentation**

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on fund reporting. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Government-Wide Financial Statements** - Provide information about the primary government (the District). The statements include a *Statement of Net Position* and a *Statement of Activities*. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the District's governmental and any business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not have any business type activities.

A *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segments of any business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers for goods, services, or privileges provided
- operating grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

**Fund Financial Statements** - Provide information about the District's funds. Separate statements are presented for the governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

The District reports the following major governmental funds:

General Fund - to account for all resources used to finance District operations except those required to be accounted for in other funds. The General Fund as presented includes the District's Maintenance and Operation Fund and other special revenue funds that do not have a substantial restriction on expenditures.

Unrestricted Capital Outlay Fund - a capital projects fund Accounts for transactions relating to the acquisition of items by purchase, lease-purchase (GASB Statement No. 87 reclassified contracts that transfer ownership as financed purchases), or lease as prescribed by A.R.S. §15-903(C).

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**C. Basis of Accounting**

**Government-wide Financial Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The District applies grant resources to such programs before using general revenues.

**Governmental Fund Financial Statements** - Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Major revenue sources that are susceptible to accrual are property taxes, tuition, intergovernmental grants and aids, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. As permitted by generally accepted accounting principles it is the District's policy to apply the "early recognition" option for debt service payments. Therefore, the expenditures and related liabilities have been recognized in the current period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under lease contracts are reported as other financing sources.



**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**D. Cash and Investments**

The District's considers cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash and cash equivalents.

Arizona Revised Statutes require the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash in the bond building and debt service funds, which may be invested separately.

Statute authorizes the District to separately invest monies of the bond building and debt service funds in the State Treasurer's investment pool, obligations issued or guaranteed by the United States or any of its agencies or instrumentalities, specified state and local government bonds and notes, and interest-bearing savings accounts or certificates of deposit.

Statute authorizes the District to deposit monies of the auxiliary operations and student activities funds in bank accounts. The District may also invest these monies. 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 and employee insurance programs. Some of these bank accounts may be interest bearing.

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

**E. Property Taxes**

The Yavapai 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 that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May.

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

The District does not report a reserve for uncollectible property taxes as they are considered 100 percent collectible due to the County attaching a lien against all amounts past due as noted above.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**F. Capital Assets**

Capital assets are reported in the government-wide financial statements. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) are \$5,000 for all assets.

Capital assets are depreciated/amortized using the straight-line method over the following estimated useful lives:

Land improvements	15 - 20 years
Buildings and improvements	7 - 50 years
Vehicles, furniture, and equipment	3 - 30 years
Intangibles:	
Right-to-use lease assets:	
Equipment	5 years

Intangible right-to-use lease assets are amortized over the shorter of the lease term or the useful life of the underlying asset.

**G. Deferred Outflows and Inflows of Resources**

The *Statement of Net Position* and *Balance Sheet* include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods. Delinquent property taxes that will not be collected within the 60 day availability period are reported as deferred inflows of resources in the governmental fund financial statements.

**H. Postemployment Benefits**

For purposes of measuring the potential net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the plan's fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. 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.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**I. Advances from Grantors**

Advances from grantors arise when assets are received before revenue recognition criteria have been satisfied. Advances from grantors generally comprise of federal and state entitlement revenues received before eligibility requirements are met.

**J. Compensated Absences**

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts 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.

**K. Leases**

As 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 low risk borrowing rates and typically uses the federal treasury rate plus one percentage point that is the closest match to the length of the lease contract.

**L. Federal Revenue Sources**

The District receives federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

**M. Investment Income**

Investment earnings is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances.

**N. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the *Statement of Activities*. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**O. Net Position**

In the government-wide financial statements, net position is reported in three components:

***Net investment in capital assets*** - Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding debt used to acquire, construct, or improve these assets.

***Restricted*** - Restricted net position is reported when constraints placed on the net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by state legislation.

***Unrestricted*** - Unrestricted net position is used to account for the net position balance that does not meet the definition of either of the first two categories of net position.

**P. Fund Balance Classifications**

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

***Nonspendable fund balance*** - Amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories and prepaid items.

***Restricted fund balance*** - Amounts with constraints placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or state legislation.

***Committed fund balance*** - Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Governing Board. These amounts cannot be used for any other purposes unless the Governing Board removes or changes the specific purpose by taking the same kind of formal action previously used to commit these amounts. Adoption of the annual budget does not constitute a commitment as appropriations lapse at year end without Governing Board action. This also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

***Assigned fund balance*** - Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the Governing Board or body or official to which the Governing Board has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balance in governmental funds, other than the General Fund, includes all spendable amounts that are not restricted or committed, if that amount is positive. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by the formal Governing Board action. The District does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**P. Fund Balance Classifications**

***Unassigned fund balance*** - Spendable amounts in the General Fund that are not restricted, committed or assigned. The General Fund is the only fund that may report a positive unassigned fund balance amount. For governmental funds other than the General Fund, negative fund balances are reported here if restricted, committed, or assigned amounts exceed total spendable fund balance.

***Hierarchy for use of fund balances*** - When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the District uses restricted fund balance first. For the disbursement of unrestricted fund balances, the District uses committed amounts first, followed by assigned amounts, and, lastly, unassigned amounts.

***Minimum fund balance policy*** - The District has not adopted a policy regarding maintenance of minimum fund balances.

**Q. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES AND RESTATEMENT OF BEGINNING NET ASSETS**

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

In addition, the District has evaluated grant awards previously recorded and determined that based on the terms of the grant, the fund that revenues are earned when provided and not subject to reversion.

**Impact on governmental statements:**

	<u>Results-Based Funding</u>	<u>Total Governmental Funds</u>
Net position/fund balance as previously reported at June 30, 2021	\$ -	\$ 5,473,777
Previous balances deferred	<u>103,181</u>	<u>103,181</u>
Total prior period adjustment	<u>103,181</u>	<u>103,181</u>
Net position/fund balance, July 1, 2021, as restated	<u><u>\$ 103,181</u></u>	<u><u>\$ 5,576,958</u></u>

**Impact on government-wide statements:**

	<u>Total Governmental Activities</u>
Net position/fund balance as previously reported at June 30, 2021	\$ 12,051,361
Implementation of GASB 87:	
Right to use asset - equipment, net of related amortization	47,997
Leases payable	(48,810)
Correction of fund balance reporting change	<u>103,181</u>
Total prior period adjustment	<u>102,368</u>
Net position/fund balance, July 1, 2021, as restated	<u><u>\$ 12,153,729</u></u>

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 - CASH AND INVESTMENTS**

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the District's cash deposits may not be returned. The District does not have an adopted policy for custodial credit risk. As of June 30, 2022, the carrying amount (reported) cash balance was \$86,673, while the total bank balance was \$111,451, which was fully insured by the Federal Deposit Insurance Corporation (FDIC) and the collateral described below. The FDIC protects deposits in each bank the District uses against loss for the first \$250,000 of demand deposits and \$250,000 of time deposits. Any deposits of cash deposits in excess of \$250,000 are covered by collateral held by the pledging financial institution's trust department in the District's name.

Arizona statute requires eligible depositories that accept public monies to participate in the pooled collateral program for public deposits. The Statewide Collateral Pool Administrator (Administrator) is responsible for ensuring that eligible depositories have posted 102% collateral for each public depositor in excess of any federally insured deposits. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured against loss. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository's compliance with the program.

**External Investment Pool.** A.R.S. §15-996, authorizes the Yavapai County Treasurer to receive and hold all District monies and pool the monies with other school districts for investment purposes. As of June 30, 2022, the District reported \$6,497,481 on deposit with the Yavapai County Treasurer's Investment Pool (YCTIP). The YCTIP is an external investment pool with no regulatory oversight. The YCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2022, the YCTIP did not receive a credit quality rating from a national rating agency. The Yavapai County Treasurer invests the cash in a pool under policy guidelines established by the County. The Yavapai County Treasurer accounts for the investment pool in their Fiduciary Investment Trust Fund. Interest rate risk, credit risk, custodial credit risk and concentration of credit risk regarding the YCTIP are included in the Comprehensive Annual Financial Report of Yavapai County. The fair value of each participant's position in the YCTIP approximates the value of the participant's shares in the pool and the District's shares are not identified with specific investments. Participants in the pool are not required to categorize the value of shares in accordance with the fair value hierarchy.

**Interest Rate Risk.** Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have an adopted investment policy that limits investment maturities to one year or less as a means of managing its exposure to fair value losses arising from increasing interest rates.

**Credit Risk.** Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices than what is allowable per A.R.S.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 - DUE FROM OTHER GOVERNMENTS**

Receivable balances have been disaggregated by type and presented separately in the financial statements with the exception of the amounts due from other governments. The District's due from other governments as of June 30, 2022, are as follows:

	Other Governmental Funds
<b>Due from federal government:</b>	
Federal grants	4,458
<b>Total due from other governments</b>	<b>\$ 4,458</b>



**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 - CAPITAL ASSETS**

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

<u>Governmental activities:</u>	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
<b>Capital assets not being depreciated:</b>				
Land	\$ 178,478	\$ -	\$ -	\$ 178,478
Construction in progress	-	595,563	-	595,563
Total capital assets not being depreciated/amortized	<u>178,478</u>	<u>595,563</u>	<u>-</u>	<u>774,041</u>
<b>Capital assets being depreciated/amortized:</b>				
Land improvements	3,566,451	10,819	-	3,577,270
Buildings and improvements	9,146,818	-	-	9,146,818
Vehicles, furniture, and equipment	941,097	249,595	(133,788)	1,056,904
Right-to-use lease assets:				
Equipment	48,810	-	-	48,810
Total capital assets being depreciated/amortized	<u>13,703,176</u>	<u>260,414</u>	<u>(133,788)</u>	<u>13,829,802</u>
Less accumulated depreciation/amortization for:				
Land improvements	(1,828,443)	(302,820)	-	(2,131,263)
Buildings and improvements	(2,881,373)	(160,413)	-	(3,041,786)
Vehicles, furniture, and equipment	(478,418)	(55,208)	133,788	(399,838)
Equipment	(813)	(9,762)	-	(10,575)
Total accumulated depreciation/amortization	<u>(5,189,047)</u>	<u>(528,203)</u>	<u>133,788</u>	<u>(5,583,462)</u>
Total capital assets being depreciated/amortized, net	<u>8,514,129</u>	<u>(267,789)</u>	<u>-</u>	<u>8,246,340</u>
<b>Total capital assets, net</b>	<u><u>\$ 8,692,607</u></u>	<u><u>\$ 327,774</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 9,020,381</u></u>

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 5 - CAPITAL ASSETS**

Depreciation was charged to governmental functions as follows:

Instruction	\$ 201,007
Support services - students and staff	10,911
Support services - administration	5,660
Operation and maintenance of plant	147,065
Student transportation services	31,328
Operations of non-instructional services	<u>132,232</u>
Total depreciation expense	<u>\$ 528,203</u>

**NOTE 6 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities of the District for the year ended June 30, 2022:

	Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2022</u>	Due Within <u>One Year</u>
Net pension liability	\$ 2,642,294	\$ 780,599	\$ (1,245,669)	\$ 2,177,224	\$ -
Leases payable	48,810	-	(10,089)	38,721	10,159
Compensated absences	<u>20,656</u>	<u>38,887</u>	<u>(44,264)</u>	<u>15,279</u>	<u>2,000</u>
Total	<u>\$ 2,711,760</u>	<u>\$ 819,486</u>	<u>\$ (1,300,022)</u>	<u>\$ 2,231,224</u>	<u>\$ 12,159</u>

**NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**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) plan, and a cost-sharing multiple-employer defined benefit long-term disability (OPEB) plan. The Arizona State Retirement System Board governs the ASRS according to the provisions of A.R.S. Title 38, Chapter 5, Articles 2 and 2.1. The ASRS is a component unit of the State of Arizona. The ASRS issues a publicly available financial report that includes its financial statements and required supplementary information. The report is available on its website at [www.azasrs.gov](http://www.azasrs.gov).

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**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:

	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
Years of service and age required to receive benefit	Sum of years and ages equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years after 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 percent per year of service	2.1% to 2.3%	2.1% to 2.3%

\*With actuarially reduced benefits.

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 earning. 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 retirement benefit option chosen determines the survivor benefit. 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.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

**Contributions** - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. In addition, the District is required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who may have worked for the District in positions an employee who contributes to the 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, 2022, which was equal to the required contributions, were as follows:

<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability Fund</u>	<u>Total Contributions</u>
2022	\$ 238,266	\$ 4,166	\$ 3,581	\$ 246,013

During fiscal year ending June 30, 2022, the District paid for pension and OPEB contributions as follows:

<u>Fund:</u>	<u>Pension and OPEB Contribution</u>	<u>Percentage by Fund</u>
General Fund	\$ 192,501	78.25 %
Other Governmental Funds	53,512	21.75 %
Total	<u>\$ 246,013</u>	<u>100.00 %</u>

The District's OPEB balance and related activity for the fiscal year ending June 30, 2022, was immaterial, therefore, related disclosures have been omitted.

**Liability** - At June 30, 2022, the District reported a pension liability of \$2.2 million for its proportionate share of the ASRS' net pension liability.

The net liability was measured as of June 30, 2021. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7–7.2 percent to 2.9–8.4 percent.

The District's proportion of the 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, 2021, and the change from its proportions measured as of June 30, 2020, were:

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

	Proportion June 30, 2021	Increase (Decrease) From June 30, 2020
Pension	0.0166 %	0.0013 %

**Expense** - For the year ended June 30, 2022, the District recognized \$322,856 of pension expense.

**Deferred outflows/inflows of resources** - At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to the pension from the following sources:

***Pension*** -

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 33,190	\$ -
Changes in assumptions or other inputs	283,383	-
Net difference between projected and actual earnings on pension plan investments	-	689,821
Changes in proportion and differences between District contributions and proportionate share of contributions	133,890	3,448
District contributions subsequent to the measurement date	238,266	-
Total	<u>\$ 688,729</u>	<u>\$ 693,269</u>

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

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

<u>Year ending June 30</u>	<u>Deferred Outflows (Inflows)</u>
2023	\$ 75,743
2024	71,239
2025	(152,070)
2026	(237,718)
2027	-
Thereafter	-
Total	<u>\$ (242,806)</u>

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Projected salary increase	2.9 - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP
Healthcare cost trend rate	Not applicable

Actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The long-term expected rate of return on ASRS plan investments was determined to be 7.0 percent using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of 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 Geometric Real Rate of Return
Equity	50.00 %	4.90 %
Fixed income - credit	20.00 %	5.20 %
Fixed income - Interest rate sensitive	10.00 %	0.70 %
Real estate	20.00 %	5.70 %
Total	<u>100.00 %</u>	

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

**Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate** - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the:			
Net pension liability	\$ 3,424,592	\$ 2,177,224	\$ 1,137,265

**Plan fiduciary net position** - Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 - LEASES**

The District has acquired copiers under the provisions of a long-term lease agreements. Contract provisions require periodic payments of principal and interest as specified in the individual agreements.

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

<u>Asset</u>	
Copiers	\$ 48,810
Less accumulated amortization	<u>(10,575)</u>
Total assets, net	<u><u>\$ 38,235</u></u>

The following schedule details minimum lease payments to maturity for the District's leases payable at June 30, 2022:

<u>Year Ending June 30:</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 10,159	\$ 401
2024	10,280	280
2025	10,401	159
2026	<u>7,881</u>	<u>39</u>
Total	38,721	879

**NOTE 9 - INTERFUND TRANSFERS**

The following is a summary of interfund transfers reported as of June 30, 2022:

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 20,297	\$ -
Other Governmental Funds	<u>-</u>	<u>20,297</u>
Total	<u><u>\$ 20,297</u></u>	<u><u>\$ 20,297</u></u>

The transfers were made to move indirect costs from federal grant funds to the Indirect Costs Fund, which is grouped within the General Fund.



**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 10 - 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 is a member of the Arizona School Risk Retention Trust, Inc (ASRRT), together with other school districts in the state. ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The District is a member of the Arizona School Alliance for Workers' Compensation, Inc. (the Alliance). The Alliance was established in 1996 and is structured as a self-insurance pool that is owned and governed by its members. The agreement provides that the Alliance will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

**NOTE 11 - COMMITMENTS AND CONTINGENCIES**

**Federal grants** - In the normal course of operations, the District receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to insure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by District officials to be material.

**Litigation** - Each year the District receives notices of claims for damages occurring generally from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against the District arising therefrom. The District has comprehensive general liability insurance with the ASRRT. The District is not aware of any litigation that might result in a materially adverse outcome.

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## REQUIRED SUPPLEMENTARY INFORMATION

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**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Adopted</u>	<u>Final</u>	<u>Amounts</u>	
<b>Revenues:</b>				
Property taxes	\$ 3,924,866	\$ 4,208,765	\$ 1,600,190	\$ (2,608,575)
State aid and grants	1,493,281	1,601,295	608,819	(992,476)
Other local revenue	576,811	618,533	235,169	(383,364)
<b>Total revenues</b>	<u>5,994,958</u>	<u>6,428,593</u>	<u>2,444,178</u>	<u>(3,984,415)</u>
<b>Expenditures:</b>				
<b>Regular education:</b>				
Instruction	3,180,460	3,614,095	1,006,866	2,607,229
Support services - students and staff	532,464	532,464	91,941	440,523
Support services - administration	590,499	590,499	594,693	(4,194)
Operation and maintenance of plant	405,480	405,480	400,731	4,749
Operation of non-instructional services	87,841	87,841	56,107	31,734
School-sponsored athletics	107,237	107,237	58,258	48,979
Other programs	55,000	55,000	21,135	33,865
<b>Total regular education</b>	<u>4,958,981</u>	<u>5,392,616</u>	<u>2,229,731</u>	<u>3,162,885</u>
<b>Special education:</b>				
Instruction	429,709	429,709	303,120	126,589
Support services - students and staff	184,350	184,350	59,148	125,202
Support services - administration	-	-	1,624	(1,624)
Operation and maintenance of plant	45,000	45,000	-	45,000
<b>Total special education</b>	<u>659,059</u>	<u>659,059</u>	<u>363,892</u>	<u>295,167</u>
<b>Student transportation services:</b>				
Student transportation services	364,567	364,567	186,095	178,472
<b>K-3 reading program:</b>				
Instruction	12,351	12,351	11,126	1,225
<b>Total expenditures</b>	<u>5,994,958</u>	<u>6,428,593</u>	<u>2,790,844</u>	<u>3,637,749</u>
<b>Net changes in fund balances</b>	-	-	(346,666)	(346,666)
<b>Fund balance, July 1, 2021</b>	<u>3,224,128</u>	<u>3,224,128</u>	<u>3,224,128</u>	-
<b>Fund balance, June 30, 2022</b>	<u>\$ 3,224,128</u>	<u>\$ 3,224,128</u>	<u>\$ 2,877,462</u>	<u>\$ (346,666)</u>

See note accompanying this schedule.

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2022**

ASRS - Pension	Reporting Fiscal Year (Measurement Date)			
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
District's proportion of the net pension liability	0.02 %	0.02 %	0.01 %	0.01 %
District's proportionate share of the net pension liability	\$ 2,177,224	\$ 2,642,294	\$ 2,229,238	\$ 1,965,059
District's covered payroll	\$ 2,055,189	\$ 1,650,130	\$ 1,615,814	\$ 1,400,312
District's proportionate share of the net pension liability as a percentage of its covered payroll	105.94 %	160.13 %	137.96 %	140.33 %
Plan fiduciary net position as a percentage of the total pension liability	48.58 %	69.33 %	73.24 %	73.40 %

Reporting Fiscal Year (Measurement Date)				
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
0.02 %	0.02 %	0.02 %	0.02 %	Information is not available; additional information will be presented as it becomes available.
\$ 2,135,751	\$ 2,425,993	\$ 2,662,728	\$ 2,537,898	
\$ 1,322,970	\$ 1,580,313	\$ 1,564,270	\$ 1,582,221	
161.44 %	153.51 %	170.22 %	160.40 %	
69.92 %	67.06 %	68.35 %	69.49 %	

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
**JUNE 30, 2022**

ASRS - Pension	Reporting Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contribution	\$ 238,266	\$ 218,315	\$ 188,940	\$ 180,648
District's contributions in relation to the statutorily required contribution	<u>238,266</u>	<u>218,315</u>	<u>188,940</u>	<u>180,648</u>
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 2,055,189	\$ 1,873,948	\$ 1,650,130	\$ 1,615,814
District's contributions as a percentage of covered payroll	11.59 %	11.65 %	11.45 %	11.18 %



Reporting Fiscal Year					
<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014 and 2013</u>	
\$ 152,634	\$ 142,617	\$ 171,464	\$ 170,349		Information is not available; additional information will be presented as it becomes available.
<u>152,634</u>	<u>142,617</u>	<u>171,464</u>	<u>170,349</u>		
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>		
\$ 1,400,312	\$ 1,322,970	\$ 1,580,313	\$ 1,564,270		
10.90 %	10.78 %	10.85 %	10.89 %		

**ASH FORK JOINT UNIFIED SCHOOL DISTRICT NO. 31**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2022**

**NOTE 1 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY**

The District's budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for the following item:

- A. The General Fund, as reported in the budgetary comparison schedule, includes the District's Maintenance and Operation Fund (M&O) in addition to several other District funds consistent with accounting principles generally accepted in the United States of America. In accordance with Arizona Revised Statutes, the District is required to budget expenditures at the individual fund level.

The following schedule presents financial statement details of the District's M&O Fund, the main budgetary fund for the District per Arizona Revised Statutes, separately for analysis.

	<b>General Fund</b>				
	<b>Revenues</b>	<b>Expenditures</b>	<b>Other Financing Sources (uses)</b>	<b>Beginning Fund Balance</b>	<b>Ending Fund Balance</b>
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds - General Fund	\$ 2,550,532	\$ 2,936,821	\$ 20,297	\$ 3,480,783	\$ 3,114,791
Less: budgeted special revenue funds reported within the General Fund	106,354	145,977	20,297	256,655	237,329
Maintenance and Operation - GAAP	<u>\$ 2,444,178</u>	<u>\$ 2,790,844</u>	<u>\$ -</u>	<u>\$ 3,224,128</u>	<u>\$ 2,877,462</u>

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**REPORT ON INTERNAL CONTROL  
AND ON COMPLIANCE**

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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 of  
Ash Fork Joint Unified School District No. 31

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 Ash Fork Joint Unified School District No. 31 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 23, 2023.

### Internal Control over Financial Reporting

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

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

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



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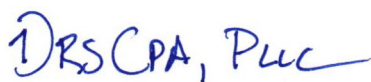
## Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate document entitled Uniform System of Financial Records (USFR) Compliance Questionnaire dated March 23, 2023.

## Purpose of this Report

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

A handwritten signature in blue ink that reads "DRS CPA, PLLC". The signature is stylized and fluid.

*Certified Public Accountant  
Chandler, Arizona*

March 23, 2023