
**SAN SIMON UNIFIED
SCHOOL DISTRICT NO. 18**

**FINANCIAL STATEMENTS AND REQUIRED
SUPPLEMENTARY INFORMATION**

FISCAL YEAR ENDED JUNE 30,2021



Issued by:
Business and Finance Department

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
San Simon Unified School District No. 18
San Simon, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Simon Unified School District No. 18 (District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Simon Unified School District No. 18 as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, for the year ended June 30, 2021, which represents a change in accounting principle. Our opinion is not modified with respect to this matter. The General Fund, Nonmajor Governmental Funds, and Governmental Activities net position and fund balances were restated due to this implementation. See more information on the restatement presented in Note 9.

Other Matters

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 11, 2022, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

 CWDL, Certified Public Accountants

Scottsdale, Arizona
March 11, 2022

REQUIRED SUPPLEMENTARY INFORMATION

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

As management of the San Simon Unified School District No. 18 (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$829,950 (net position). The District's total net position increased by \$180,796.
- General revenues accounted for \$2,057,231 in revenue, or 81% of all current year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$478,888 or 19% of total current year revenue
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,045,845, an increase of \$252,674 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$782,846, or 44% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

The government-wide financial statements can be found immediately following this MD&A.

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Fund Financial Statements

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

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

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

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

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

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

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

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 16 – 32 of this report.

Required Supplementary Information Other than MD&A

The District reports a multi-year schedule of the District's proportionate share of net pension liability and contributions to its cost-sharing pension plan on page 33.

Governments have the option of reporting the General Fund budgetary statements as part of the basic financial statements or as required supplementary information (RSI) other than the MD&A. The District has elected to present the General Fund budgetary comparison schedule as RSI other than the MD&A which can be found starting on page 34 of this report. Notes to the RSI are presented after the budgetary comparison schedules on page 35.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators 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 \$829,950 at the close of the most recent fiscal year.

A summary of the District's statement of net position is presented below:

	Governmental Activities		
	2021	(Restated) 2020	Net Change
ASSETS AND DEFERRED OUTFLOWS			
Current and other assets	\$ 1,266,414	\$ 1,022,921	\$ 243,493
Capital assets	1,110,380	1,058,114	52,266
Deferred outflows	493,122	273,367	219,755
Total Assets and Deferred Outflows	2,869,916	2,354,402	515,514
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities	154,315	148,693	5,622
Long-term liabilities	1,872,936	1,428,182	444,754
Deferred inflows	12,715	128,373	(115,658)
Total Liabilities and Deferred Inflows	2,039,966	1,705,248	334,718
NET POSITION			
Net investment in capital assets	1,077,973	1,014,139	63,834
Restricted	262,999	217,301	45,698
Unrestricted	(511,022)	(582,286)	71,264
Total Net Position	\$ 829,950	\$ 649,154	\$ 180,796

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings, building improvement, vehicles, furniture, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in the net investment in capital assets and restricted net position. The District reported a negative balance in unrestricted net position due to the District's reporting of its proportionate share of the net pension liability for its cost-sharing pension plan required under Governmental Accounting Standards Board (GASB) Statement No. 68.

Additional information on the District's net pension liability can be found in Note 8 of this report.

Overall, net position increased \$180,796 or 28%. Key elements of this increase are indicated as follows:

	Governmental Activities		
	2021	2020	Net Change
REVENUES			
Program revenues:			
Charges for services	\$ 51,616	\$ 16,067	\$ 35,549
Operating grants and contributions	358,168	384,050	(25,882)
Capital grants and contributions	69,104	39,721	29,383
General revenues:			
Property taxes	1,298,708	1,310,573	(11,865)
State equalization and additional state aid	595,538	597,830	(2,292)
Federal aid unrestricted	27,701	30,074	(2,373)
County equalization	30,301	29,910	391
Interest and other	104,983	22,817	82,166
Total Revenues	2,536,119	2,431,042	105,077
EXPENSES			
Instruction	1,157,107	1,056,918	100,189
Support Services:			
Students and instructional staff	129,047	114,953	14,094
General and school administration	189,872	204,867	(14,995)
Business and other support services	165,808	161,168	4,640
Operation and maintenance of plant	417,976	330,784	87,192
Operation of noninstructional services	189,572	140,012	49,560
Student transportation	103,793	126,283	(22,490)
Interest on long-term debt	2,148	1,378	770
Total Expenses	2,355,323	2,136,363	218,960
Change in net position	180,796	294,679	(113,883)
Net Position - Beginning, As Restated	649,154	354,475	294,679
Net Position - Ending	\$ 829,950	\$ 649,154	\$ 180,796

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
MANGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Program Revenues

The District reported an increase in charges for services of \$35,549 (221%). This increase was due to increases in student activity revenue that was previously recorded as agency activity and not presented within the government-wide financial statements.

Operating grants and contributions decreased \$25,882 (7%). This decrease was due to a decrease in state grant funding and CTED funding for the current year.

Capital grants and contributions increased \$29,383 (74%) due to the capital donation of a farm truck during the current year.

General Revenues

The District experienced a decrease in property tax revenue because of decreases in the tax levy and related collections. County equalization revenue remained relatively the same as the prior year and is based on the funding formula prescribed by the State of Arizona for funds being collected at the local county level.

State equalization and additional state aid decreased \$2,292 (4%) due to decreases in the state's budget formula.

Interest and other income increased \$82,166 due to increases in revenue for gifts and donations for the rodeo farm operations during the current year.

Expenses

The District incurred an 10% increase in expenses in the current year. The District's mission is to provide an appropriate and outstanding educational experience for every student served within budget constraints. The increase was mainly due to increases in salaries and related benefits and supplies related to the COVID-19 pandemic.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,045,845, an increase of \$252,674 in comparison with the prior year. Approximately 75% of this total amount (\$782,846) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is restricted to indicate that it is not available for new spending.

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
MANGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Fund balances as of June 30, 2021, and the changes in fund balances from prior year are summarized as follows:

GOVERNMENTAL FUND	Increase (Decrease)	
	Balance	From 2019-20
General Fund	\$ 782,846	\$ 206,976
Nonmajor Governmental Funds	262,999	45,698

The General Fund continues to experience a positive net change in fund balance. For the fiscal year ended June 30, 2021 the General Fund had an increase in fund balance of \$206,976. This increase is due to continued conservative spending practices. A decrease in student transportation and other noninstructional expenditures lead to this increase in fund balance.

The Nonmajor Governmental Funds increase of \$45,698 was primarily due to a decrease in expenditures from conservative spending practices and increase in gifts and donations revenue.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$151,171. In Arizona, school districts build their original "adopted" budget based on a projection of the coming fiscal year's 100th day average daily attendance. In May, the District can increase or decrease its budget for differences between expected and actual student growth. The \$151,171 was mainly increased in regular education – instruction. Budgetary basis General Fund expenditures were \$566,416 (25%) less than budget during the fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$1,110,380 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, furniture, equipment, and vehicles. The net increase in the District's investment in capital assets for the current fiscal year was 17%.

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

- HVAC improvements
- Buses and other vehicles

Additional information on the District's capital assets can be found in Note 5 of this report.

CAPITAL ASSETS	Governmental Activities		
	2021	2020	Net Change
Land	\$ 3,386	\$ 3,386	\$ -
Land improvements	7,701	8,543	(842)
Buildings & improvements	595,384	605,968	(10,584)
Vehicles, equipment, and furniture	503,909	334,181	169,728
Total Capital Assets	\$ 1,110,380	\$ 952,078	\$ 158,302

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Debt Administration

The District's debt related to capital leases decreased \$11,568 during the current year. The District did not have outstanding bonds or other long-term debt other than pensions, other postemployment benefits and compensated absences. Additional information on the District's long-term debt can be found in Note 7.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Increase in budget due to increase in ADM.
- Stable student enrollment and economy.
- Steady increase in property tax valuation.
- Additional federal grant money for COVID protocols.

The above factors were considered in preparing the District's budget for the 2021-22 fiscal year.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and 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, San Simon Unified School District No. 18, P.O. Box 38, San Simon, Arizona 85623. The District's website is also available at sansimon.org.

BASIC FINANCIAL STATEMENTS

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,097,671
Property taxes receivable	87,029
Intergovernmental receivable	75,420
Net OPEB asset	6,294
Capital assets, not depreciated	3,386
Capital assets, net of accumulated depreciation	1,106,994
Total Assets	2,376,794
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	475,540
Deferred outflows related to OPEB	17,582
Total Deferred Outflows of Resources	493,122
LIABILITIES	
Accounts payable	40,399
Accrued wages and benefits	113,916
Long-term liabilities:	
Due within one year	45,286
Due in more than one year	20,226
Net OPEB liability	7,199
Net pension liability	1,800,225
Total Liabilities	2,027,251
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	12,715
Total Deferred Inflows of Resources	12,715
NET POSITION	
Net investment in capital assets	1,077,973
Restricted:	
Teacher compensation and other qualified programs (A.R.S 15-977)	17,893
Instructional improvement programs	32,667
Federal instructional programs	17,953
State instructional programs	15,212
Food service	18,080
Community programs	1,719
Vocational educational programs	54,069
Extracurricular activities	27,686
Student activities	40,190
Other programs	1,439
Capital projects	36,091
Unrestricted	(511,022)
Total Net Position	\$ 829,950

See accompanying Notes to the Basic Financial Statements

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Function/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 1,157,107	\$ -	203,813	\$ -	\$ (953,294)
Support services:					
Students	114,746	-	23,997	-	(90,749)
Instructional staff	14,301	-	5,424	-	(8,877)
General administration	189,472	-	5,024	-	(184,448)
School administration	400	-	-	-	(400)
Business and other support services	165,808	-	5,554	-	(160,254)
Operation and maintenance of plant	417,976	-	26,899	25,814	(365,263)
Student transportation	103,793	-	-	-	(103,793)
Operation of noninstructional services	189,572	51,616	87,457	43,290	(7,209)
Interest on long-term debt	2,148	-	-	-	(2,148)
Total	\$ 2,355,323	\$ 51,616	\$ 358,168	\$ 69,104	(1,876,435)
General revenues:					
Property taxes					1,298,708
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					595,538
County equalization					30,301
Federal aid not restricted					27,701
Investment earnings					3,781
Other					101,202
Total general revenues					<u>2,057,231</u>
Change in net position					180,796
Net position - beginning, as restated					<u>649,154</u>
Net position - ending					<u>\$ 829,950</u>

See accompanying Notes to the Basic Financial Statements

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS			
Cash and investments	\$ 844,798	\$ 252,873	\$ 1,097,671
Receivables:			
Property taxes	87,029	-	87,029
Intergovernmental	28,561	46,859	75,420
Total Assets	\$ 960,388	\$ 299,732	\$ 1,260,120
LIABILITIES			
Accounts payable	\$ 11,560	\$ 28,839	\$ 40,399
Accrued wages	106,022	7,894	113,916
Total Liabilities	117,582	36,733	154,315
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	59,960	-	59,960
FUND BALANCES			
Restricted	-	262,999	262,999
Unassigned	782,846	-	782,846
Total Fund Balances	782,846	262,999	1,045,845
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 960,388	\$ 299,732	\$ 1,260,120

See accompanying Notes to the Basic Financial Statements

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total Fund Balance - Governmental Funds \$ 1,045,845

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 2,861,815	
Accumulated depreciation	(1,751,435)	1,110,380

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds:	59,960
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Net OPEB asset:

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, they are recognized in the period they are incurred. The net OPEB asset at the end of the period was:

6,294

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported.

Long-term liabilities relating to governmental activities consist of:

Capital lease liability	(32,407)	
Net pension liability	(1,800,225)	
Net OPEB liability	(7,199)	
Compensated absences	(33,105)	(1,872,936)

Deferred outflows and inflows of resources relating to pensions/OPEB:

In governmental funds, deferred outflows and inflows of resources relating to pensions/OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions/OPEB are reported:

Deferred outflows of resources relating to pensions/OPEB:	493,122	
Deferred inflows of resources relating to pensions/OPEB:	(12,715)	480,407

Total Net Position - Governmental Activities \$ 829,950

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 1,317,271	\$ -	\$ 1,317,271
Intergovernmental	654,677	373,588	1,028,265
Food Services Sales	-	1,411	1,411
Student Activities	-	44,128	44,128
Auxiliary operations	6,077	-	6,077
Contributions and donations	1,607	7,650	9,257
Investment earnings	3,037	744	3,781
Other	23,010	78,192	101,202
Total Revenues	2,005,679	505,713	2,511,392
EXPENDITURES			
Current			
Instruction	926,338	217,718	1,144,056
Support services:			
Students	81,965	24,923	106,888
Instructional staff	8,147	5,261	13,408
General administration	173,741	5,000	178,741
School administration	400	-	400
Business and other support services	151,529	5,527	157,056
Operations and maintenance of plant	317,140	70,943	388,083
Student transportation	74,369	-	74,369
Operations of noninstructional services	57,313	124,688	182,001
Debt service:			
Principal	6,427	5,141	11,568
Interest and other	1,334	814	2,148
Total Expenditures	1,798,703	460,015	2,258,718
Excess (Deficiency) of Revenues Over Expenditures	206,976	45,698	252,674
NET CHANGE IN FUND BALANCE	206,976	45,698	252,674
Fund Balance - Beginning, As Restated	575,870	217,301	793,171
Fund Balance - Ending	\$ 782,846	\$ 262,999	\$ 1,045,845

See accompanying Notes to the Basic Financial Statements

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Net Change in Fund Balances - Governmental Funds \$ 252,674

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

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capital outlay:	\$ 112,525	
Depreciation expense:	<u>(81,606)</u>	30,919

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. 21,347

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

Property taxes	(18,563)
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Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions.

Pension contributions	128,340
Pension expense	(241,146)
Other post employment benefits contributions	5,030
Other post employment benefits expense	<u>(4,134)</u>

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

Principal payment on capital lease	11,568
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net decrease(increase) in compensated absences	<u>(5,239)</u>
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Change in Net Position of Governmental Activities \$ 180,796

NOTES TO BASIC FINANCIAL STATEMENTS

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the San Simon Unified School District No. 18 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows. During the year ended June 30, 2021, the District implemented the provisions of GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and provides guidance as to how those activities should be reported (see Note 9).

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 funds of those organizational entities for which its elected governing board is financially accountable.

Government-Wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund.

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

The District reports the following major governmental funds:

Major Governmental Funds

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

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

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

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

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments

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

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

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

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

Property Taxes Receivables

The Cochise 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.

Intergovernmental Receivable

Intergovernmental receivables are comprised of federal grants (\$57,066), state equalization monies (\$860), and other (\$17,494).

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

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

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

Asset Class	Years
Buildings and building improvements	5-50 years
Land improvements	15-50 years
Vehicles, equipment, furniture	3-30 years

Deferred Outflows of Resources

The District recognizes the liquidation of net position that is applicable to a future reporting period in the government-wide financial statements as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions/OPEB under GASB 68 and GASB 75.

Compensated Absences

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

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. In the fund financial statements, the issuance of debt is recorded as another financing source. Premiums and discounts are recorded as other financing sources/uses, respectively in the fund financial statements and are recorded net of the debt in the government-wide financial statements and amortized over the life of the bond.

Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2021 or within 60 days of fiscal year-end. These deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The District also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions/OPEB under GASB 68 and GASB 75.

Net Position

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

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

The District did not report any committed or assigned fund balances during the current year.

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net Position (Continued)

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the District’s Governing Board, which is the highest level of decision-making authority within the District. Only the District Governing Board can remove or change the constraints placed on committed fund balances through formal board action at a public meeting. Fund balances must be committed prior to fiscal year-end. Assigned fund balances are resources constrained by the District’s intent to be used for specific purposes but are neither restricted nor committed. The District’s Governing Board has not authorized any management officials to make assignments of resources for a specific purpose.

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

The District has not adopted a spending priority policy. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, in accordance with GASB 54, the District uses restricted fund balance first. For the disbursement of unrestricted fund balances, the District follows the spending policy described in GASB 54 to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

The District has classified its fund balances as follows:

	General Fund	Non-Major Governmental Funds	Total Governmental Activities
Restricted			
Teacher compensation and other qualified programs (A.R.S. 15-977)	\$ -	\$ 17,893	\$ 17,893
Instructional improvement programs	-	32,667	32,667
Federal instructional programs	-	17,953	17,953
State instructional programs	-	15,212	15,212
Food services	-	18,080	18,080
Community programs	-	1,719	1,719
Vocational educational programs	-	54,069	54,069
Extracurricular activities	-	27,686	27,686
Student activities	-	40,190	40,190
Other programs	-	1,439	1,439
Capital projects	-	36,091	36,091
Total restricted	-	262,999	262,999
Unassigned	782,846		782,846
Total	\$ 782,846	\$ 262,999	\$ 1,045,845

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and investments at June 30, 2021 consist of the following:

Deposits:		
Cash in bank	\$	110,711
Investments:		
Cash on deposit with county treasurer		<u>986,960</u>
Total deposits and investments		<u>1,097,671</u>

Deposits

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. At June 30, 2021, the carrying amount of the District’s deposits was \$110,711 and the bank balance was \$80,420. At June 30, 2021, the entire bank balance was covered by Federal Depository Insurance.

Investments

At June 30, 2021, the District’s investments consisted of investment in the County Treasurer’s Investment pool. The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer’s investment pool, and that pool’s structure does not provide for shares.

Custodial Credit Risk – The District’s investment in the County Treasurer’s investment pools represents a proportionate interest in those pools’ portfolios; however, the District’s portion is not identified with any specific investment and is not subject to custodial credit risk.

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Interest Rate Risk – The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The District has no investment policy that would further limit its investment choices. At June 30, 2021, the District’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

NOTE 4 – RECEIVABLES

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources. Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

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

	<u>Unavailable</u>
Delinquent property taxes receivable:	
General Fund	\$ 59,960

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021
Capital assets not being depreciated				
Land	\$ 3,386	\$ -	\$ -	\$ 3,386
Capital assets being depreciated				
Land improvements	197,320	-	(4,500)	192,820
Buildings and improvements	1,724,216	-	-	1,724,216
Vehicles, equipment, and furniture	942,373	112,525	(113,505)	941,393
Total capital assets being depreciated	<u>2,863,909</u>	<u>112,525</u>	<u>(118,005)</u>	<u>2,858,429</u>
Less accumulated depreciation				
Land improvements	(189,198)	(421)	4,500	(185,119)
Buildings and improvements	(1,110,045)	(40,134)	21,347	(1,128,832)
Vehicles, equipment, and furniture	(509,938)	(41,051)	113,505	(437,484)
Total accumulated depreciation	<u>(1,809,181)</u>	<u>(81,606)</u>	<u>139,352</u>	<u>(1,751,435)</u>
Total capital assets, being depreciated, net	<u>1,054,728</u>	<u>30,919</u>	<u>21,347</u>	<u>1,106,994</u>
Governmental activities capital assets, net	<u>\$ 1,058,114</u>	<u>\$ 30,919</u>	<u>\$ 21,347</u>	<u>\$ 1,110,380</u>

Depreciation expenses was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 31,190
Support Services:	
Students	2,616
Operations and Maintenance of Plant	19,242
Student Transportation	26,231
Operation of Noninstructional Services	2,327
	<u>\$ 81,606</u>

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – LONG-TERM OBLIGATIONS

Compensated Absences

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During the fiscal year compensated absences were paid from the General Fund.

Capital Leases

The District has acquired vehicles under the provisions of long-term lease agreements classified as capital leases. The total principal value of the capital leases was \$61,042 with an interest rate of 4.75%. The principal amount of the assets capitalized in the Governmental Activities Fund net of accumulated depreciation is \$56,938.

The future minimum lease payments under the capital lease, together with the present value of the net minimum lease payments as of June 30, 2021, are presented below:

	<u>Year Ending June 30,</u>	
	2022	\$ 13,855
	2023	13,855
	2024	<u>7,761</u>
	Total minimum lease payments:	35,471
	Less: amount representing interest:	<u>(3,064)</u>
	Present value of minimum lease payments:	<u>\$ 32,407</u>

Changes in long-term liabilities for the year ended June 30, 2021 are as follows:

	Balance July 01, 2020	Additions	Deductions	Balance June 30, 2021	Due Within One Year
Compensated absences	\$ 27,866	\$ 24,803	\$ (19,564)	\$ 33,105	\$ 33,105
Capital leases	43,975	-	(11,568)	32,407	12,181
Total	<u>\$ 71,841</u>	<u>\$ 24,803</u>	<u>\$ (31,132)</u>	<u>\$ 65,512</u>	<u>\$ 45,286</u>

NOTE 7 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is \$10 million per occurrence on a claims made basis. Excess coverage is for an additional \$10 million per occurrence on a follow form, claims made basis. The Arizona School Risk Retention Trust is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its members additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations. The District is also insured by a commercial insurance carrier for potential worker related accidents.

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – PENSION PLANS

Cost Sharing Pension Plan

At June 30, 2021, the District reported the following related to pensions to which it contributes:

	Net Pension Liability (Asset)	Net OPEB Liability (Asset)
Net assets	\$ -	\$ (6,294)
Net liability	1,800,225	7,199
Deferred outflows of resources	475,540	17,582
Deferred inflows of resources	-	12,715
Expense	241,146	4,134
Contributions	128,340	5,030

Arizona State Retirement System

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

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit percent per year of service	2.1% to 2.3%	2.1% to 2.3%

**With actuarially reduced benefits.*

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment 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.

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, 2021, statute required active ASRS members to contribute at the actuarially determined rate of 12.22 percent (12.04 percent for retirement and 0.18 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.22 percent (11.65 percent for retirement, 0.39 percent for health insurance premium benefit, and 0.18 percent for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 percent for retirement, 0.07 percent for long-term disability) of annual covered payroll of retired members who worked for the District in positions that 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, 2021, was \$128,340, \$3,442, and \$1,588, respectively.

During the fiscal year ended June 30, 2021, the District paid for pension and OPEB contributions as follows: 91% from the General Fund, and 9% from Nonmajor Governmental Funds.

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Liability

At June 30, 2021, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 1,800,225	0.01039%	0.00111%
Health insurance premium benefit	(6,294)	0.00889%	-0.00028%
Long-term disability	7,199	0.00949%	0.00029%

The net asset and net liabilities were measured as of June 30, 2020. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2019, to the measurement date of June 30, 2020. The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020, and the change from its proportions measured as of June 30, 2019, were:

Expense

For the year ended June 30, 2021 the District recognized the following pension and OPEB expenses:

	Pension/OPEB Expense
Pension	\$ 241,146
Health insurance premium benefit	1,987
Long-term disability	2,147

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Deferred outflows and inflows of resources

At June 30, 2021, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ 16,286	\$ -	\$ 627
Changes of assumptions or other inputs	-	3,489	776
Changes in proportion and differences between contributions and proportionate share of contributions	157,280	22	405
Contributions subsequent to the measurement date	128,340	3,442	1,588
Total	\$ 475,540	\$ 13,393	\$ 4,189

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ -	\$ 12,402	\$ 185
Changes in proportion and differences between contributions and proportionate share of contributions	-	19	109
Total	\$ -	\$ 12,421	\$ 294

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in expenses as follows:

Year Ending June 30:	Deferred Outflows (Inflows) of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
2022	\$ 125,400	\$ (1,341)	\$ 373
2023	105,291	22	502
2024	62,805	324	525
2025	53,704	(339)	476
2026	-	(1,136)	270
Thereafter	-	-	161
Total	\$ 347,200	\$ (2,470)	\$ 2,307

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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

	Pensions	Health Insurance Premium Benefit	Long-Term Disability
Actuarial valuation date	June 30, 2019	June 30, 2019	June 30, 2019
Actuarial roll forward date	June 30, 2020	June 30, 2020	June 30, 2020
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Investment rate of return	7.5%	7.5%	7.5%
Projected salary increases	2.7-7.2%	Not applicable	Not applicable
Inflation rate	2.3%	2.3%	2.3%
Permanent base increases	Included	Not applicable	Not applicable
Mortality rates	2017 SRA Scale U-MP	2017 SRA Scale U-MP	Not applicable
Recovery rates	Not applicable	Not applicable	2012 GLDT

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2016.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.50% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	6.39%
Fixed income - credit	20%	5.44%
Fixed income - interest rate sensitive	10%	0.22%
Real estate	20%	5.85%
Total	100%	

Discount Rate

The discount rate used to measure the ASRS total pension/OPEB liability was 7.5 percent. 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/OPEB liability.

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 8 – PENSION PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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 (6.50%) or 1 percentage point higher (8.50%) than the current rate.

	<u>Proportionate share of the net liability (asset)</u>		
	Current		
	1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
Pension	\$ 2,461,784	\$ 1,800,225	\$ 1,247,197
Health insurance premium benefit	8,259	(6,294)	(18,679)
Long-term disability	7,860	7,199	6,557

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

Contributions Payable

The District’s accrued payroll and employee benefits included \$11,450 of outstanding pension and OPEB contribution amounts payable to ASRS for the year ended June 30, 2021.

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – CHANGE IN ACCOUNTING PRINCIPLE

At June 30, 2021, the District recorded a restatement of fund balance due to the implementation of GASB Statement No. 84, *Fiduciary Activities*. This Statement establishes criteria for identifying fiduciary activities for accounting and financial reporting purposes and provides guidance as to how those activities should be reported. The Student Activities Fund reported in the prior year as fiduciary activities does not meet these new fiduciary activities criteria and has been reclassified as a special revenue governmental fund. In addition, the Employee Insurance Withholding Fund was reclassified from an Agency Fund to a special revenue fund grouped within the General Fund.

The net effects of the restatements on the Governmental Activities and Governmental Funds are as follows:

Governmental Funds

	Fund balance as previously stated	Change in accounting principle	Fund balance as restated
General Fund	\$ 554,245	\$ 21,625	\$ 575,870
Nonmajor Governmental Funds	194,875	22,426	217,301
Total governmental funds	<u>\$ 749,120</u>	<u>\$ 44,051</u>	<u>\$ 793,171</u>

Governmental Activities

	Net position as previously stated	Change in accounting principle	Net position as restated
Governmental Activities	\$ 605,103	\$ 44,051	\$ 649,154

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

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
COST SHARING PENSION PLAN
JUNE 30, 2021

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date)						
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability	0.01039%	0.00928%	0.00825%	0.00872%	0.00997%	0.01266%	0.01360%
Proportionate share of the net pension liability	\$ 1,800,225	\$ 1,350,348	\$ 1,150,585	\$ 1,358,406	\$ 1,609,258	\$ 1,972,106	\$ 2,011,604
Covered payroll	\$ 1,135,909	\$ 994,499	\$ 982,468	\$ 944,770	\$ 987,089	\$ 1,170,190	\$ 1,246,688
Proportionate share of the net pension liability as a percentage of its covered payroll	158.48%	135.78%	117.11%	143.78%	163.03%	168.53%	161.36%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

SCHEDULE OF CONTRIBUTIONS

	Reporting Fiscal Year						
	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 128,340	\$ 130,062	\$ 111,185	\$ 105,666	\$ 91,670	\$ 101,255	\$ 126,992
Contributions in relation to the actuarially determined contribution	128,340	130,062	111,185	89,395	91,670	101,255	126,992
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 16,271	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,113,298	\$ 1,135,909	\$ 994,499	\$ 982,468	\$ 994,770	\$ 987,089	\$ 1,170,190
Contributions as a percentage of covered payroll	11.53%	11.45%	11.18%	9.10%	9.70%	10.26%	10.85%

See accompanying Notes to Required Supplementary Information

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (BUDGETARY BASIS)
YEAR ENDED

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 1,315,513	\$ 1,315,513
Intergovernmental	-	-	625,839	625,839
Investment earnings	-	-	2,461	2,461
Other	-	-	5,780	5,780
Total Revenues	-	-	1,949,593	1,949,593
EXPENDITURES				
Regular education:				
Instruction	875,348	1,021,609	755,709	265,900
Support services - students	53,150	52,723	43,137	9,586
Support services - instructional staff	3,374	2,974	1,092	1,882
Support services - general administration	193,043	193,195	156,228	36,967
Support services - business and other	157,017	161,929	131,022	30,907
Operations and maintenance of plant	358,506	383,932	316,120	67,812
Operation of noninstructional services	33,501	63,812	53,817	9,995
School sponsored athletics	55,559	57,559	30,614	26,945
Total regular education	1,729,498	1,937,733	1,487,739	449,994
Special education:				
Instruction	169,199	159,516	76,805	82,711
Support services - students	52,431	36,422	36,367	55
Support services - instructional staff	6,372	6,816	6,663	153
Support services - general administration	-	-	17,513	(17,513)
Support services - school administration	11,549	-	-	-
Support services - business and other	6,423	-	530	(530)
Total special education	245,974	202,754	137,878	64,876
Pupil transportation:				
Student transportation services	138,923	125,915	74,369	51,546
K-3 reading program:				
Instruction	5,929	5,093	5,093	-
Total Expenditures	2,120,324	2,271,495	1,705,079	566,416
Excess (Deficiency) of Revenues				
Over Expenditures	(2,120,324)	(2,271,495)	244,514	2,516,009
Fund Balance - Beginning	383,568	383,568	383,568	-
Fund Balance - Ending	\$ (1,736,756)	\$ (1,887,927)	\$ 628,082	\$ 2,516,009

See accompanying Notes to Required Supplementary Information

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021

NOTE 1 – AVAILABILITY OF PRIOR YEAR PENSION INFORMATION

Information prior to the measurement date of June 30, 2014 was not available. GASB Statement No. 68 requires the District to present 10 years of pension information as required supplementary information. However, until a full 10 years of trend data is compiled, the District will present information for only those years for which information is available.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The District’s adopted budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, with the following exception:

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

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

	General Fund				
	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund balance beginning of year	Fund balance end of year
Statement of revenues, expenditures and changes in fund balance	\$ 2,005,679	\$ 1,798,703	\$ -	\$ 575,870	\$ 782,846
Non-maintenance and operation activity included in the General Fund	(56,086)	(93,624)	-	(192,302)	(154,764)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	\$ 1,949,593	\$ 1,705,079	\$ -	\$ 383,568	\$ 628,082



**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
San Simon Unified School District No. 18
San Simon, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Simon Unified School District No. 18 (District) as of and for the year ended June 30, 2021, 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 11, 2022.

Internal Control over Financial Reporting

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

Our consideration of 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control which we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a material weakness.

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 financial statements 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 Audit Standards*.

The District's Response to Findings

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.

 WDL, Certified Public Accountants

Scottsdale, Arizona

March 11, 2022

SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2021

2021-001 Financial Statement Preparation

Type of Finding: Material Weakness in Internal Control Over Financial Reporting

Condition/Context: The District did not have a system of internal controls that would enable management to conclude the financial statements and related disclosures are complete and presented in accordance with accounting principles generally accepted in the United States of America. As such, management requested us to prepare a draft of the financial statements, including the related footnote disclosures.

The audit firm proposed, and the District approved the GASB 34 conversion entries, entries to convert the fund financial statements from the cash basis of accounting to the modified accrual basis of accounting (including recording current year accruals and reversing prior year accruals) and record correcting entries. These entries relate to internal controls over the year-end close-out process. The absence of a complete control procedure or process in this area is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the District's internal control processes.

Criteria: Management is responsible for the accuracy and completeness of all financial records, preparation of financial statements, and related information. Their responsibilities include recording year-end adjustments and adequately reviewing the year-end financial statements.

Effect: The audit firm prepared the annual financial statements and related footnote disclosures, including recording adjusting entries to convert the financial statements from the cash basis of accounting to the modified accrual basis of accounting and corrections of errors. This included properly recording revenue in the proper period. The District has reviewed all proposed audit adjustments and the annual financial statements and related disclosures.

Cause: The District relies on the audit firm to draft the annual financial statements, related footnote disclosures, and to verify balances are correct at year-end. However, they have reviewed and approved the annual financial statements, and related footnote disclosures.

Recommendation: In order to strengthen internal controls, the District should continue to evaluate its financial statement processes to determine if additional internal control procedures should be implemented. The District should consider reconciling general ledger amounts to the draft financial statements and completing a disclosure checklist to determine the adequacy of financial statement disclosures. Lastly, the District should review transactions occurring within the encumbrance period to ensure they are recorded in the proper fiscal year.

Response: The District concurs with this recommendation and will evaluate its internal control process over the financial statements.

Contact person: Rose Rothpletz, Business Manager