

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
PATAGONIA, ARIZONA**

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

FISCAL YEAR ENDED JUNE 30, 2021

**Issued by:
Business and Finance Department**

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Independent Auditors' Report

Governing Board of
Patagonia Union High School District No. 20
Patagonia, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Patagonia Union High School District No. 20, (the 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 entity'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 entity'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 the District, as of year ended June 30, 2021, 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.

Emphasis of Matter

As described in financial statement note 2, the District adopted new accounting guidance of the Government 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 5, the budgetary comparison information beginning on page 55, the pension information beginning on page 58, and the related note to required supplementary information on page 62 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 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 Accountants
Mesa, Arizona

March 11, 2022

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

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**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

As management of the Patagonia Union High School District No. 20 (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, 2021. 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, 2021, were as follows:

- As of June 30, 2021, the District's total net position was \$6.4 million. This is an increase of \$17,543, or 0.3 percent, from fiscal year 2019-20.
- General revenues of \$1.4 million accounted for 53.4 percent of all fiscal year 2020-21 revenues. Program specific revenues in the form of charges for services and operating grants and contributions of \$1.2 million accounted for 46.6 percent of total fiscal year 2020-21 revenues.
- The District had \$2.6 million in expenses related to governmental activities; of which \$1.2 million of these expenses were offset by program specific charges for services and operating grants and contributions. General revenues of \$1.4 million provided resources for the remaining \$1.4 million of District costs. The excess between the general revenues and remaining District costs resulted in net position increasing \$17,543.
- The General Fund reported \$1.6 million in revenues and \$1.5 million in expenditures. The revenues consisted primarily of \$1.2 million in property taxes and \$231,881 in state aid and grants. As a result of annual activity, the General Fund's fund balance increased \$130,325.
- Per A.R.S. §15-949, the District is allowed a small school adjustment to their budget since their student count is 100 or less in grades 9-12. For the fiscal year ending June 30, 2021., the District's small school adjustment was \$219,870 and was reported in the Maintenance and Operation Fund's final budget.
- The District recorded \$159,472 of tuition revenue for educating students from other school districts.
- The District's net capital assets decreased \$153,234 as a result of activity throughout the year. For additional information regarding the capital assets, see financial statement note 6.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

- The District was awarded \$50,000 from the Elementary and Secondary Schools Emergency Relief (ESSER) Fund based on the projected final eligible LEA cohort and spent \$45,886 from the ESSER Fund for the fiscal year ending June 30, 2021. The monies were used to address local relief, prevention and preparation, and recovery efforts relative to responding to COVID-19.
- The District received and spent \$16,731 from the Enrollment Stabilization Grant (ESG) Fund for the fiscal year ending June 30, 2021. The monies were used to mitigate the impact of COVID-19 during the fiscal year 2020-21
- As described in financial statement note 2, The District adopted new accounting guidance of the Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which represents a change in accounting principle.

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.

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.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

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.

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.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a comparison of the District's net position for the fiscal years ended June 30, 2021 and 2020.

	<u>As of June 30, 2021</u>	<u>As of June 30, 2020</u>	<u>Change</u>	<u>Percent Change</u>
ASSETS				
Current assets	\$ 1,885,366	\$ 1,817,008	\$ 68,358	3.8 %
Capital assets	<u>5,869,055</u>	<u>6,022,289</u>	<u>(153,234)</u>	<u>(2.5)%</u>
Total assets	<u>7,754,421</u>	<u>7,839,297</u>	<u>(84,876)</u>	<u>(1.1)%</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>298,072</u>	<u>149,645</u>	<u>148,427</u>	<u>99.2 %</u>
LIABILITIES				
Current liabilities	22,008	56,884	(34,876)	(61.3)%
Noncurrent liabilities	<u>1,518,598</u>	<u>1,368,208</u>	<u>150,390</u>	<u>11.0 %</u>
Total liabilities	<u>1,540,606</u>	<u>1,425,092</u>	<u>115,514</u>	<u>8.1 %</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>96,239</u>	<u>165,745</u>	<u>(69,506)</u>	<u>(41.9)%</u>
NET POSITION				
Net investment in capital assets	5,869,055	6,022,289	(153,234)	(2.5)%
Restricted	1,028,605	976,881	51,724	5.3 %
Unrestricted	<u>(482,012)</u>	<u>(601,065)</u>	<u>119,053</u>	<u>19.8 %</u>
Total net position	<u>\$ 6,415,648</u>	<u>\$ 6,398,105</u>	<u>\$ 17,543</u>	<u>0.3 %</u>

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

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 \$6.4 million as of June 30, 2021. The following represents significant information regarding changes and balances:

- The District's current assets increased \$68,358 primarily due to an increase in due from other governments.
- The District had \$158,371 in additions to capital assets that were offset by depreciation expense of \$311,605, resulting in an overall net decrease in capital assets of \$153,234.
- Current liabilities decreased \$34,876 due to a decrease in expenditures during the 60-day encumbrance period after year end as compared to the prior year.
- Noncurrent liabilities increased \$150,390, deferred outflows of resources increased \$148,427, and deferred inflows of resources decreased \$69,506 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, \$5.9 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, \$1.0 million of the District's net position represents resources that are subject to external restrictions. The remaining deficit balance of net position, \$482,012, is considered unrestricted. For additional information regarding net position, see financial statement note 1.R.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a comparison of the changes in net position for the fiscal years ended June 30, 2021 and 2020.

	Fiscal Year Ended <u>June 30, 2021</u>	Fiscal Year Ended <u>June 30, 2020</u>	<u>Change</u>	<u>Percent Change</u>
Revenues:				
Program revenues:				
Charges for services	\$ 831,374	\$ 845,938	\$ (14,564)	(1.7)%
Operating grants and contributions	382,188	302,417	79,771	26.4 %
Capital grants and contributions	-	124,221	(124,221)	(100.0)%
General revenues:				
Taxes	1,145,642	1,148,270	(2,628)	(0.2)%
State aid	244,170	243,435	735	0.3 %
Investment income	688	2,120	(1,432)	(67.5)%
Miscellaneous	2,113	3,587	(1,474)	(41.1)%
Total revenues	<u>2,606,175</u>	<u>2,669,988</u>	<u>(63,813)</u>	<u>(2.4)%</u>
Expenses:				
Instruction	1,015,349	815,430	199,919	24.5 %
Support services - students and staff	299,477	231,223	68,254	29.5 %
Support services - administration	418,473	420,760	(2,287)	(0.5)%
Operation and maintenance of plant	386,352	371,811	14,541	3.9 %
Student transportation services	292,444	471,784	(179,340)	(38.0)%
Operation of non-instructional services	176,537	177,655	(1,118)	(0.6)%
Total expenses	<u>2,588,632</u>	<u>2,488,663</u>	<u>99,969</u>	<u>4.0 %</u>
Change in net position	17,543	181,325	(163,782)	(90.3)%
Beginning net position	<u>6,398,105</u>	<u>6,216,780</u>	<u>181,325</u>	<u>2.9 %</u>
Ending net position	<u>\$ 6,415,648</u>	<u>\$ 6,398,105</u>	<u>\$ 17,543</u>	<u>0.3 %</u>

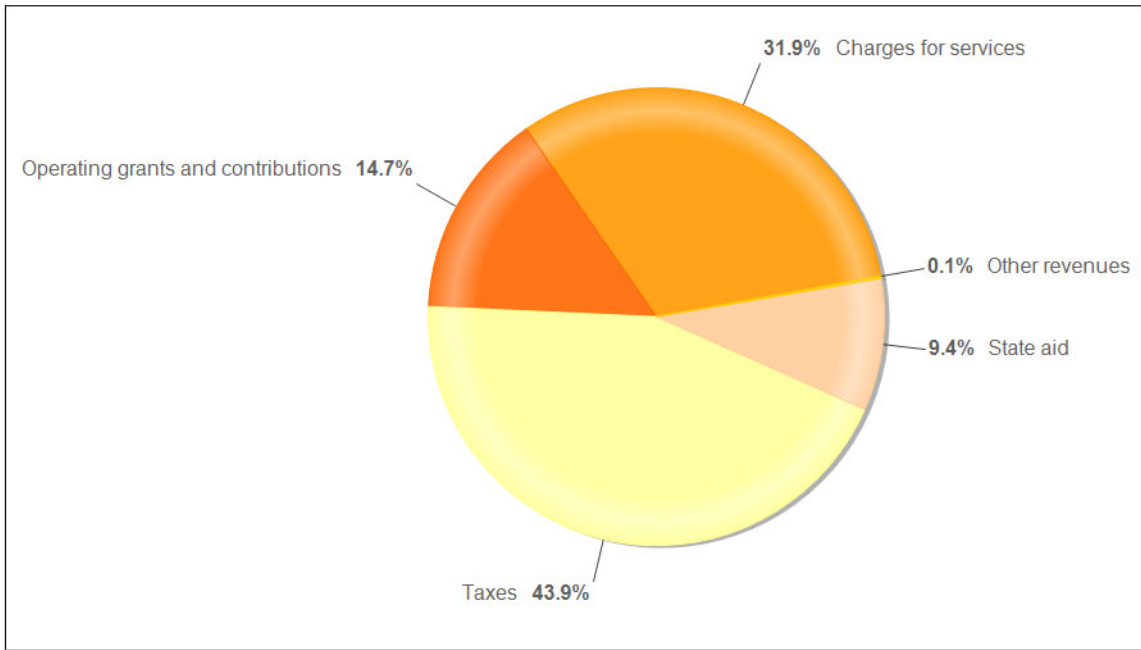
Net position increased \$17,543; the following represents significant information regarding changes:

- Revenues decreased \$63,813 primarily due to a decrease in capital grants and contributions.
- Expenses increased \$99,969 primarily due to an increase in instructional expenses.

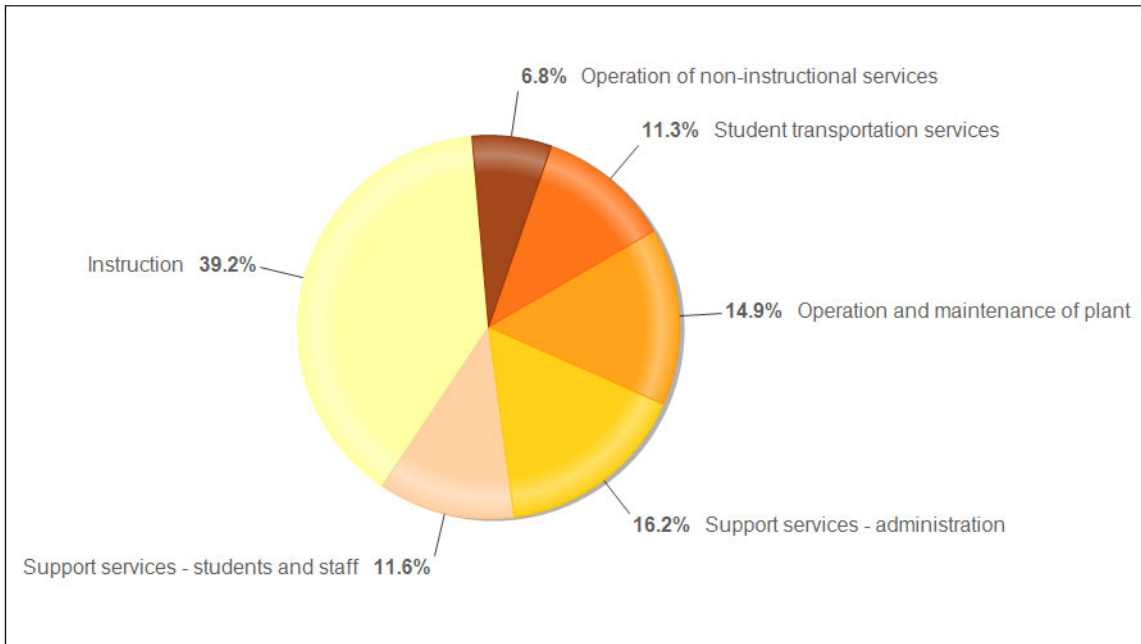
**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

District-Wide Revenues
FY 2020-21



District-Wide Expenses
FY 2020-21

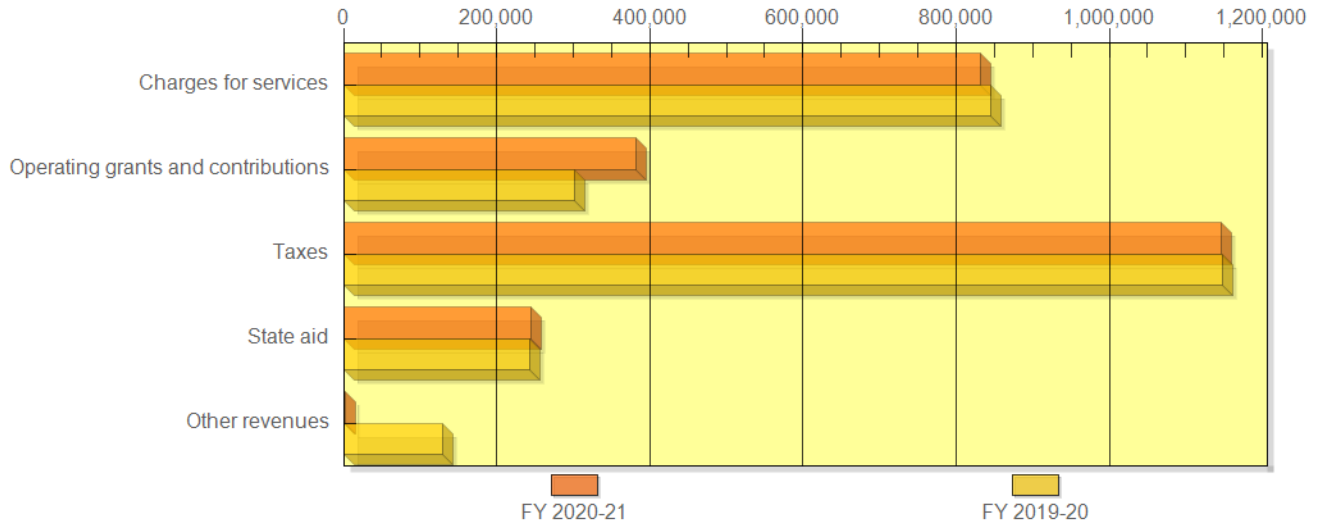


**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

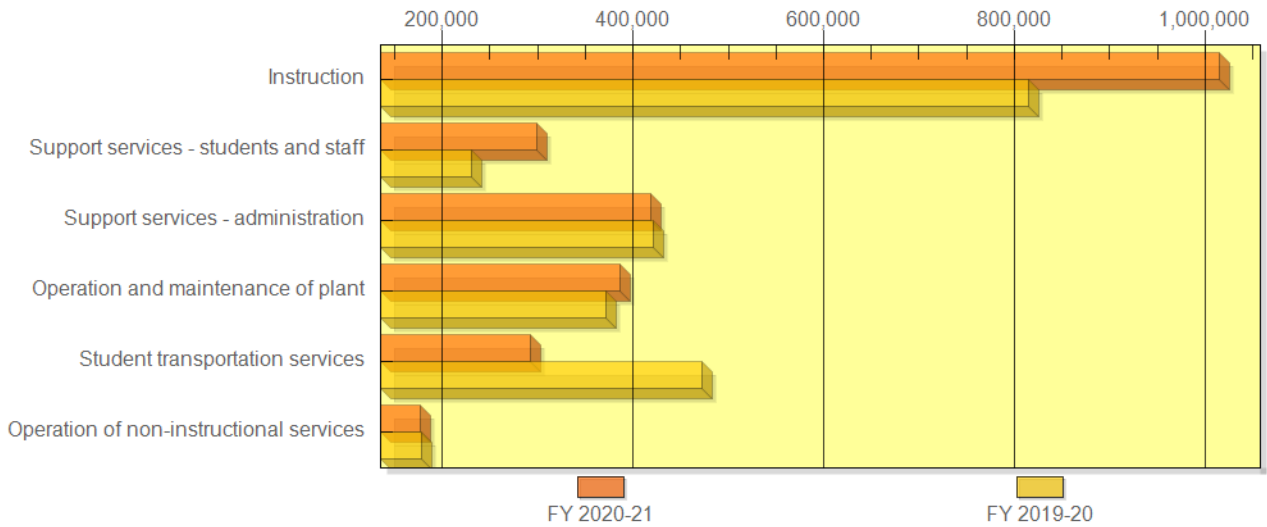
District-Wide Revenues

2 Year Comparison



District-Wide Expenses

2 Year Comparison



**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

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, 2021 and 2020.

<u>Expense Function</u>	Net (Expense)	Net (Expense)	<u>Change</u>	Percent
	Revenue	Revenue		Change
	<u>June 30, 2021</u>	<u>June 30, 2020</u>		<u>Change</u>
Instruction	\$ (358,706)	\$ (229,064)	\$ (129,642)	(56.6)%
Support services - students and staff	(262,164)	(213,944)	(48,220)	(22.5)%
Support services - administration	(405,231)	(408,720)	3,489	0.9 %
Operation and maintenance of plant	(303,935)	(322,465)	18,530	5.7 %
Student transportation services	(36,793)	(45,612)	8,819	19.3 %
Operation of non-instructional services	(8,241)	3,718	(11,959)	(321.7)%
Total	<u>\$ (1,375,070)</u>	<u>\$ (1,216,087)</u>	<u>\$ (158,983)</u>	<u>(13.1)%</u>

The net cost of services increased \$158,983, or 13.1 percent, due to overall expenses increasing \$99,969 while program revenues decreased \$59,014. The following represents significant information regarding changes and balances:

- Program revenues of \$1.2 million subsidized the government-wide expenses.
- The remaining net costs of governmental activities of \$1.4 million were financed through general revenues.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

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, 2021 and 2020.

Fund	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>Percent Change</u>
General Fund	\$ 848,634	\$ 718,309	\$ 130,325	18.1 %
Personnel Service Fund	36,211	36,211	-	-
Transportation Fund	359,526	321,278	38,248	11.9 %
Unrestricted Capital Outlay Fund	233,211	279,866	(46,655)	(16.7)%
Building Renewal Grant Fund	(47,650)	-	(47,650)	(100.0)%
Other Governmental Funds	399,657	341,326	58,331	17.1 %
Total	<u>\$ 1,829,589</u>	<u>\$ 1,696,990</u>	<u>\$ 132,599</u>	<u>7.8 %</u>

The total governmental fund balances were \$1.8 million at June 30, 2021. It is not expected that the nature of the restrictions, commitments or other limitations on fund balances will significantly affect future operations. Overall governmental fund balance increased \$132,599. The following represents significant information regarding changes:

- The General Fund's fund balance increased \$130,325, or 18.1 percent, primarily due to revenues exceeding expenditures in the current year. Of the General Fund's fund balance, \$835,128 is unassigned, which may serve as a useful measure of net resources available for spending at June 30, 2021.
- The Personnel Service Fund's fund balance did not reflect a change due to expenditures being recorded to the extent of revenues received from other entities for the fund.
- The Transportation Fund's fund balance increased \$38,248, or 11.9 percent, primarily due to a decrease in expenditures for student transportation services.
- The Unrestricted Capital Outlay Fund's fund balance decreased \$46,655, or 16.7 percent, primarily due to an increase in capital outlay expenditures.
- The Building Renewal Grant Fund's fund balance decreased \$47,650, or 100.0 percent, primarily due to the district having not yet received the reimbursement for the expenditures made from that fund.
- The Other Governmental Funds' fund balance increased \$58,331, or 17.1 percent, primarily due to an increase in federal grants.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

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.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget.

The General Fund's adopted budget for the fiscal year ending June 30, 2021, was \$1.8 million. Over the course of the year, the District revised the General Fund annual expenditure budget to \$2.1 million to reflect the increase in projected instruction expenditures.

The actual amounts expended in the General Fund were \$1.4 million, which was \$641,724, or 31.1 percent, less than the final budget. This difference was due to regular education instruction expenditures being less than anticipated.

CAPITAL ASSETS

As of June 30, 2021, the District had invested \$5.9 million in capital assets (net of accumulated depreciation) 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, 2021 and 2020.

<u>Governmental activities:</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>Percent Change</u>
Land	\$ 107,800	\$ 107,800	\$ -	- %
Land improvements	948,888	948,888	-	-
Buildings and improvements	8,808,968	8,761,318	47,650	0.5 %
Vehicles, furniture, and equipment	1,330,373	1,225,079	105,294	8.6 %
Total	<u>11,196,029</u>	<u>11,043,085</u>	<u>152,944</u>	<u>1.4 %</u>
Less: accumulated depreciation	<u>(5,326,974)</u>	<u>(5,020,796)</u>	<u>(306,178)</u>	<u>(6.1)%</u>
Capital assets, net	<u>\$ 5,869,055</u>	<u>\$ 6,022,289</u>	<u>\$ (153,234)</u>	<u>(2.5)%</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 6.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2021**

LONG-TERM LIABILITIES

The following schedule presents a comparison of long-term liabilities for the years ended June 30, 2021 and 2020.

	<u>June 30, 2021</u>	<u>June 30, 2020</u>	<u>Change</u>	<u>Percent Change</u>
Net pension liability	\$ 1,498,744	\$ 1,357,624	\$ 141,120	10.4 %
Compensated absences	<u>19,854</u>	<u>10,584</u>	<u>9,270</u>	<u>87.6 %</u>
Total	<u>\$ 1,518,598</u>	<u>\$ 1,368,208</u>	<u>\$ 150,390</u>	<u>11.0 %</u>

Overall long-term liability balance increased \$150,390. The following represents significant information regarding changes:

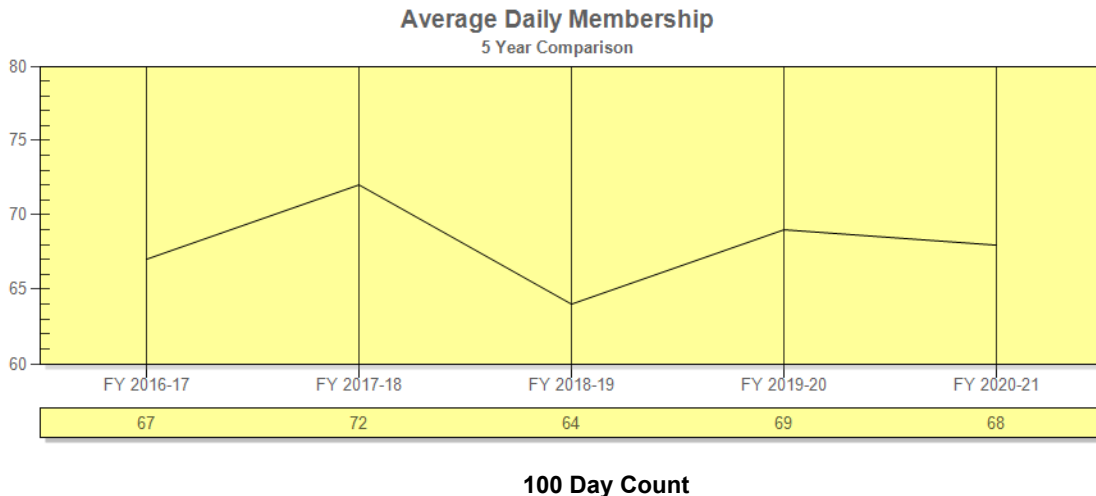
- Net pension liability increased \$141,120, or 10.4 percent, due to the results of investment activity and participant activity when compared to anticipated results as determined by the Arizona State Retirement System's actuaries.
- Compensated absences increased \$9,270, or 87.6 percent, due to the accrual and use of available leave balances by employees.

For additional information regarding long-term liabilities, see financial statement note 8.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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ECONOMIC FACTORS AND NEXT YEAR'S GENERAL FUND BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the General Fund's budget for the next fiscal year (fiscal year 2021-22). The primary factors considered in developing fiscal year 2021-22's budget were the District's student population and related employee salaries. This chart provides the District's average daily membership over the past five years.



Also considered in the development of the budget is the local economy and inflation of the surrounding area. Amounts available in the General Fund's fiscal year 2021-22 budget are \$2.0 million, a decrease of 3.9 percent, which reflects the following:

- Available budget balance carryforward is \$641,724.
- Current year average daily membership is 68 and is expected to decrease in the fiscal year 2021-22 school year.

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, Patagonia Union High School District No. 20, 200 West Naugle Avenue, Patagonia, Arizona 85624.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,597,888
Accounts receivable	1,800
Refundable deposit	65,682
Property taxes receivable	60,759
Due from other governments	135,161
Inventories	8,454
Prepaid items	15,622
Capital assets:	
Capital assets not being depreciated	107,800
Capital assets being depreciated, net	<u>5,761,255</u>
Total assets	<u>7,754,421</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	<u>298,072</u>
LIABILITIES	
Accounts payable	21,986
Advances from grantors	22
Noncurrent liabilities:	
Due within one year	2,000
Due in more than one year	<u>1,516,598</u>
Total liabilities	<u>1,540,606</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	<u>96,239</u>
NET POSITION	
Investment in capital assets	5,869,055
Restricted for:	
Capital outlay	233,211
School plant	56,188
Food service	19,546
Personnel services	36,211
Student transportation	359,526
Extracurricular activities tax credit	56,924
Swimming pool	63,332
Student activity	25,889
Career technical instruction	55,530
Voter approved initiatives	68,254
Other purposes	53,994
Unrestricted	<u>(482,012)</u>
Total net position	<u>\$ 6,415,648</u>

The accompanying notes are an integral part of these statements.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges For Services	Operating Grants And Contributions	Governmental Activities
Governmental activities:				
Instruction	\$ 1,015,349	\$ 491,732	\$ 164,911	\$ (358,706)
Support services - students and staff	299,477	7,931	29,382	(262,164)
Support services - administration	418,473	-	13,242	(405,231)
Operation and maintenance of plant	386,352	53,928	28,489	(303,935)
Student transportation services	292,444	248,085	7,566	(36,793)
Operation of non-instructional services	176,537	29,698	138,598	(8,241)
Total governmental activities	\$ 2,588,632	\$ 831,374	\$ 382,188	(1,375,070)
General revenues:				
Taxes:				
Property taxes, general purposes				1,134,463
Property taxes, capital outlay				11,179
State aid:				
General purposes				231,881
Capital outlay				8,952
Instructional improvement				3,337
Investment income				688
Miscellaneous				2,113
Total general revenues				1,392,613
Change in net position				17,543
Net position, July 1, 2020 (restated)				6,398,105
Net position, June 30, 2021				\$ 6,415,648

The accompanying notes are an integral part of these statements.

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FUND FINANCIAL STATEMENTS

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	<u>General Fund</u>	<u>Personnel Service Fund</u>	<u>Transportation Fund</u>
ASSETS			
Cash and investments	\$ 739,456	\$ 36,211	\$ 354,539
Accounts receivable	1,800	-	-
Refundable deposit	60,905	-	-
Property taxes receivable	60,127	-	-
Due from other governments	19,316	-	-
Due from other funds	-	-	-
Inventories	-	-	8,454
Prepaid items	13,506	-	1,587
	<u>\$ 895,110</u>	<u>\$ 36,211</u>	<u>\$ 364,580</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)			
Liabilities:			
Accounts payable	\$ 13,059	\$ -	\$ 5,054
Advances from grantors	-	-	-
Due to other funds	-	-	-
	<u>13,059</u>	<u>-</u>	<u>5,054</u>
Deferred inflows of resources:			
Unavailable revenue - property tax	33,417	-	-
	<u>46,476</u>	<u>-</u>	<u>5,054</u>
Fund balances (deficits):			
Nonspendable:			
Inventories	-	-	8,454
Prepaid items	13,506	-	1,587
Restricted:			
Capital outlay	-	-	-
School plant	-	-	-
Food service	-	-	-
Personnel services	-	36,211	-
Student transportation	-	-	349,485
Extracurricular activities tax credit	-	-	-
Swimming pool	-	-	-
Student activity	-	-	-
Career technical education	-	-	-
Voter approved initiatives	-	-	-
Other purposes	-	-	-
Unassigned	835,128	-	-
	<u>848,634</u>	<u>36,211</u>	<u>359,526</u>
Total liabilities, deferred inflows of resources, and fund balances (deficits)	<u>\$ 895,110</u>	<u>\$ 36,211</u>	<u>\$ 364,580</u>

The accompanying notes are an integral part of these statements.

Unrestricted Capital Outlay Fund	Building Renewal Grant Fund	Other Governmental Funds	Total Governmental Funds
\$ 185,086	\$ -	\$ 282,596	\$ 1,597,888
-	-	-	1,800
-	-	4,777	65,682
632	-	-	60,759
195	-	115,650	135,161
47,650	-	-	47,650
-	-	-	8,454
-	-	529	15,622
<u>\$ 233,563</u>	<u>\$ -</u>	<u>\$ 403,552</u>	<u>\$ 1,933,016</u>

\$ -	\$ -	\$ 3,873	\$ 21,986
-	-	22	22
-	47,650	-	47,650
-	47,650	3,895	69,658
352	-	-	33,769
<u>352</u>	<u>47,650</u>	<u>3,895</u>	<u>103,427</u>

-	-	-	8,454
-	-	529	15,622
233,211	-	-	233,211
-	-	56,188	56,188
-	-	19,017	19,017
-	-	-	36,211
-	-	-	349,485
-	-	56,924	56,924
-	-	63,332	63,332
-	-	25,889	25,889
-	-	55,530	55,530
-	-	68,254	68,254
-	-	53,994	53,994
-	(47,650)	-	787,478
<u>233,211</u>	<u>(47,650)</u>	<u>399,657</u>	<u>1,829,589</u>
<u>\$ 233,563</u>	<u>\$ -</u>	<u>\$ 403,552</u>	<u>\$ 1,933,016</u>

The accompanying notes are an integral part of these statements.

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**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2021**

Fund balances - total governmental funds	\$ 1,829,589
<p>Amounts reported for governmental activities in the <i>Statement of Net Position</i> are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund statements.</p>	5,869,055
<p>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.</p>	
Property taxes	33,769
<p>Deferred outflows and inflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental fund statements.</p>	
Deferred outflows of resources related to pensions	298,072
Deferred inflows of resources related to pensions	(96,239)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund statements.</p>	
Net pension liability	(1,498,744)
Compensated absences	(19,854)
Net position of governmental activities	<u>\$ 6,415,648</u>

The accompanying notes are an integral part of these statements.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General Fund</u>	<u>Personnel Service Fund</u>	<u>Transportation Fund</u>
Revenues:			
Property taxes	\$ 1,162,907	\$ -	\$ -
State aid and grants	231,881	-	-
Federal aid and grants	-	-	-
Other local revenue	<u>177,985</u>	<u>309,985</u>	<u>229,858</u>
Total revenues	<u>1,572,773</u>	<u>309,985</u>	<u>229,858</u>
Expenditures:			
Current:			
Instruction	588,356	87,684	-
Support services - students and staff	189,697	76,102	-
Support services - administration	262,754	115,010	34,106
Operation and maintenance of plant	263,771	31,189	8,015
Student transportation services	144,695	-	92,933
Operation of non-instructional services	12,143	-	-
Capital outlay	<u>-</u>	<u>-</u>	<u>64,797</u>
Total expenditures	<u>1,461,416</u>	<u>309,985</u>	<u>199,851</u>
Excess (deficiency) of revenues over expenditures	111,357	-	30,007
Other financing sources (uses):			
Transfers in	5,462	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)	<u>5,462</u>	<u>-</u>	<u>-</u>
Net change in fund balances (deficits)	116,819	-	30,007
Fund balances, July 1, 2020 (restated)	718,309	36,211	321,278
Change in inventories	-	-	6,654
Change in prepaid items	<u>13,506</u>	<u>-</u>	<u>1,587</u>
Fund balances (deficits), June 30, 2021	<u>\$ 848,634</u>	<u>\$ 36,211</u>	<u>\$ 359,526</u>

The accompanying notes are an integral part of these statements.

Unrestricted Capital Outlay Fund	Building Renewal Grant Fund	Other Governmental Funds	Total Governmental Funds
\$ 12,100	\$ -	\$ -	\$ 1,175,007
8,952	-	72,294	313,127
-	-	286,959	286,959
<u>24,846</u>	<u>-</u>	<u>117,773</u>	<u>860,447</u>
<u>45,898</u>	<u>-</u>	<u>477,026</u>	<u>2,635,540</u>
22,215	-	164,078	862,333
7,658	-	31,899	305,356
10,695	-	7,798	430,363
3,807	-	45,247	352,029
-	-	7,566	245,194
2,254	-	157,174	171,571
<u>45,924</u>	<u>47,650</u>	<u>-</u>	<u>158,371</u>
<u>92,553</u>	<u>47,650</u>	<u>413,762</u>	<u>2,525,217</u>
(46,655)	(47,650)	63,264	110,323
-	-	-	5,462
<u>-</u>	<u>-</u>	<u>(5,462)</u>	<u>(5,462)</u>
<u>-</u>	<u>-</u>	<u>(5,462)</u>	<u>-</u>
(46,655)	(47,650)	57,802	110,323
279,866	-	341,326	1,696,990
-	-	-	6,654
-	-	529	15,622
<u>\$ 233,211</u>	<u>\$ (47,650)</u>	<u>\$ 399,657</u>	<u>\$ 1,829,589</u>

The accompanying notes are an integral part of these statements.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
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, 2021**

Net change in fund balances - total governmental funds	\$ 110,323
 Amounts reported for the governmental activities in the <i>Statement of Activities</i> are different because:	
 Governmental funds report capital outlays as expenditures. However, in the <i>Statement of Activities</i> , the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	158,371
Depreciation	(311,605)
 Property taxes in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the governmental funds.	
Prior year unavailable property tax	(63,134)
Current year unavailable property tax	33,769
 District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the <i>Statement of Net Position</i> 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 <i>Statement of Activities</i> .	
Pension contribution	139,957
Pension expense	(63,144)
 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 <i>Statement of Activities</i> , however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.	
Compensated absences	(9,270)
 Some cash outlays are reported as expenditures in the governmental funds when purchased. In the <i>Statement of Activities</i> , however, they are reported as expenses when consumed.	
Change in inventories using purchases method	6,654
Change in prepaid items using purchases method	15,622
	15,622
Change in net position of governmental activities	\$ 17,543

The accompanying notes are an integral part of these statements.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Patagonia Union High School District No. 20 (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.

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. Student Activities and employee withholding accounts reported in the prior year as fiduciary activities do not meet these new fiduciary activities criteria and have been reclassified as special revenue governmental funds and the General Fund. Beginning balances of the governmental funds and governmental activities have been restated by \$32,212 accordingly.

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.

The Governing Board is organized under §15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The District's major operations include education, student transportation, food service, and maintenance of District facilities.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, §'s 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Accordingly, for the year ending June 30, 2021, the District does not have any component units and is not a component unit of any other reporting entity.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

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. 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 fund categories. 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.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District's accounts are organized into major governmental funds and other governmental funds as follows:

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.

Personnel Service Fund - to account for proceeds received from Patagonia Elementary School District No. 6 that are restricted for personnel services for the District.

Transportation Fund - to account for proceeds received from the District and from other districts that are restricted for transportation services for all participating districts.

Unrestricted Capital Outlay Fund - to account for transactions relating to the acquisition of items by purchase, or lease as prescribed by A.R.S. §15-903(C).

Building Renewal Grant Fund - to account for monies received from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems or buildings that will maintain or extend their useful life.

Other Governmental Funds:

Special Revenue Funds - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Project Funds - to account for the acquisition and construction of all major governmental general capital assets.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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 capital lease agreements are reported as other financing sources.

D. Expenses and Expenditures

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, expenditures are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental fund statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

E. Cash and Investments

The District 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.

F. Property Taxes

The Santa Cruz 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.

G. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Inventories

Inventories in the government-wide and financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in/first-out (FIFO) method. The costs of inventories are accounted for using the consumption method (expensed when consumed).

I. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The costs of prepaid items are accounted for using the consumption method (expensed when consumed).

J. 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 using the straight-line method over the following estimated useful lives:

Land improvements	10 - 30 years
Buildings and improvements	10 - 50 years
Vehicles, furniture, and equipment	5 - 15 years

K. 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.

L. Postemployment Benefits

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the 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.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. 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.

N. 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.

O. 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.

P. Investment Income

Investment income 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.

Q. 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.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

R. 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.

S. 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.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

T. 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.

NOTE 2 - IMPACT OF RECENTLY ISSUED ACCOUNTING PRINCIPLES

Net position and fund balance as of July 1, 2020, has been restated as follows for the implementation of GASB Statement No. 84, *Fiduciary Activities*.

	<u>Governmental Activities</u>	<u>General Fund</u>	<u>Other Governmental Funds</u>
Net position/fund balance as previously reported at June 30, 2020	\$ 6,365,893	\$ 716,052	\$ 311,371
Prior period adjustment - implementation of GASB 84:			
Employee insurance withholding	2,257	2,257	-
Student activities	<u>29,955</u>	<u>-</u>	<u>29,955</u>
Net position/fund balance, July 1, 2020, as restated	<u>\$ 6,398,105</u>	<u>\$ 718,309</u>	<u>\$ 341,326</u>

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, the carrying amount (reported) cash balance was \$4,022, while the total bank balance was \$4,000, 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 Santa Cruz County Treasurer to receive and hold all District monies and pool the monies with other school districts for investment purposes. As of June 30, 2021, the District reported \$1,593,866 on deposit with the Santa Cruz County Treasurer's Investment Pool (SCCTIP). The SCCTIP is an external investment pool with no regulatory oversight. The SCCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2021, the SCCTIP did not receive a credit quality rating from a national rating agency. The Santa Cruz County Treasurer invests the cash in a pool under policy guidelines established by the County. The Santa Cruz 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 SCCTIP are included in the Annual Comprehensive Financial Report of Santa Cruz County. The fair value of each participant's position in the SCCTIP 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.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

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, 2021, are as follows:

	<u>General Fund</u>	<u>Unrestricted Capital Outlay Fund</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Due from local governments:				
Due from other districts	\$ -	\$ -	\$ 9,297	\$ 9,297
Due from other local government	-	-	31,063	31,063
Due from state government:				
State equalization	19,316	195	-	19,511
Due from federal government:				
Federal grants	-	-	75,290	75,290
Total due from other governments	<u>\$ 19,316</u>	<u>\$ 195</u>	<u>\$ 115,650</u>	<u>\$ 135,161</u>

NOTE 5 - ADVANCES FROM GRANTORS

Governmental funds report advances from grantors for assets that are transferred to the District prior to the District fulfilling all program requirements that would entitle them to recognize the revenue. As of June 30, 2021, the advances from grantors reported in the governmental funds were as follows:

Other Governmental Funds:	
Advances from state grants	<u>\$ 22</u>
Total advances from grantors	<u><u>\$ 22</u></u>

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2021</u>
Non-depreciable capital assets:				
Land	\$ 107,800	\$ -	\$ -	\$ 107,800
Total non-depreciable capital assets	<u>107,800</u>	<u>-</u>	<u>-</u>	<u>107,800</u>
Depreciable capital assets:				
Land improvements	948,888	-	-	948,888
Buildings and improvements	8,761,318	47,650	-	8,808,968
Vehicles, furniture, and equipment	<u>1,225,079</u>	<u>110,721</u>	<u>(5,427)</u>	<u>1,330,373</u>
Total depreciable capital assets	<u>10,935,285</u>	<u>158,371</u>	<u>(5,427)</u>	<u>11,088,229</u>
Less accumulated depreciation for:				
Land improvements	(725,073)	(36,352)	-	(761,425)
Buildings and improvements	(3,443,780)	(198,509)	-	(3,642,289)
Vehicles, furniture, and equipment	<u>(851,943)</u>	<u>(76,744)</u>	<u>5,427</u>	<u>(923,260)</u>
Total accumulated depreciation	<u>(5,020,796)</u>	<u>(311,605)</u>	<u>5,427</u>	<u>(5,326,974)</u>
Total depreciable capital assets, net	<u>5,914,489</u>	<u>(153,234)</u>	<u>-</u>	<u>5,761,255</u>
Total capital assets, net	<u>\$ 6,022,289</u>	<u>\$ (153,234)</u>	<u>\$ -</u>	<u>\$ 5,869,055</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 188,886
Support services - students and staff	9,211
Operation and maintenance of plant	40,389
Student transportation services	63,492
Operations of non-instructional services	<u>9,627</u>
Total depreciation expense	<u>\$ 311,605</u>

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund receivables and payables reported as of June 30, 2021:

Funds	Interfund	
	Due From	Due To
Unrestricted Capital Outlay Fund	\$ 47,650	\$ -
Building Renewal Grant Fund	-	47,650
Total	\$ 47,650	\$ 47,650

These interfund amounts primarily represent loans to cover temporary cash deficits in pooled accounts due to delayed revenues and grant expenditures that were incurred prior to reimbursements from outside parties. These amounts are expected to be repaid within one year.

NOTE 8 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the District for the year ended June 30, 2021:

	Balance	Additions	Reductions	Balance	Due Within
	June 30, 2020			June 30, 2021	One Year
Net pension liability	\$ 1,357,624	\$ 386,798	\$ (245,678)	\$ 1,498,744	\$ -
Compensated absences	10,584	24,850	(15,580)	19,854	2,000
Total	\$ 1,368,208	\$ 411,648	\$ (261,258)	\$ 1,518,598	\$ 2,000

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - 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.

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 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.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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 is required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 percent for retirement, and 0.07 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, 2021, and for the two preceding years, all of which were 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>
2021	\$ 139,957	\$ 4,008	\$ 1,991	\$ 145,956
2020	108,418	4,079	1,486	113,983
2019	110,048	4,250	1,504	115,802

During fiscal year ending June 30, 2021, 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	\$ 79,799	54.67 %
Personnel Service Fund	30,507	20.90 %
Transportation Fund	14,137	9.69 %
Other Governmental Funds	21,513	14.74 %
Total	<u>\$ 145,956</u>	<u>100.00 %</u>

The District's OPEB balance and related activity for the fiscal year ending June 30, 2021, was immaterial, therefore, related disclosures have been omitted.

Liability - At June 30, 2021, the District reported a pension liability of \$1,498,744 for its proportionate share of the ASRS' net pension liability.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The net liability was measured as of June 30, 2020. 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, 2019, to the measurement date of June 30, 2020.

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, 2020, and the change from its proportions measured as of June 30, 2019, were:

	<u>Proportion</u> <u>June 30, 2020</u>	<u>Increase</u> <u>(Decrease)</u> <u>From</u> <u>June 30, 2019</u>	
Pension	0.0087 %	-	%

Expense - For the year ended June 30, 2021, the District recognized \$63,144 of pension expense.

Deferred outflows/inflows of resources - At June 30, 2021, the District reported deferred outflows and deferred inflows of resources related to the pension from the following sources:

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>	
Differences between expected and actual experience	\$ 13,559	\$ -	
Changes in assumptions or other inputs	-	-	
Net difference between projected and actual earnings on pension plan investments	144,556	-	
Changes in proportion and differences between District contributions and proportionate share of contributions	-	96,239	
District contributions subsequent to the measurement date	<u>139,957</u>	<u>-</u>	
Total	<u>\$ 298,072</u>	<u>\$ 96,239</u>	

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to ASRS pensions will be recognized in expenses as follows:

Year ending June 30	Deferred Outflows (Inflows)
2022	\$ (47,409)
2023	12,288
2024	52,287
2025	44,710
2026	-
Thereafter	-
Total	\$ 61,876

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

Actuarial valuation date	June 30, 2019
Actuarial roll forward date	June 30, 2020
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increase	2.7 - 7.2%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP
Recovery rates	2012 GLTD for long-term disability
Healthcare cost trend rate	Not applicable

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

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Equity	50.00 %	6.39 %
Fixed income - credit	20.00 %	5.44 %
Fixed income - interest rate sensitive	10.00 %	0.22 %
Real estate	<u>20.00 %</u>	5.85 %
Total	<u>100.00 %</u>	

Discount rate - The discount rate used to measure the ASRS total pension 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 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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
District's proportionate share of the:			
Net pension liability	\$ 2,049,512	\$ 1,498,744	\$ 1,038,330

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

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 10 - DEFICIT FUND BALANCES

The District reported a deficit fund balance in the following funds:

	<u>Deficit</u>
Building Renewal Grant Fund	\$ 47,650

The deficits are due to the differences of the District being allowed to expend up to approved award amounts and the timing of related revenue to be received by the District. Future receipts are expected to eliminate the deficit fund balances.

NOTE 11 - INTERFUND TRANSFERS

The following is a summary of interfund transfers reported as of June 30, 2021:

<u>Funds</u>	<u>Interfund</u>	
	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,462	\$ -
Other Governmental Funds	-	5,462
Total	\$ 5,462	\$ 5,462

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

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 12 - 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.

For employee health insurance, the District is a member of the Arizona School Boards Association Insurance Trust (ASBAIT), together with other school districts. ASBAIT was established in 1981 by the Arizona School Board Association. Its formation was in response to Arizona school administrators desire to obtain comprehensive health benefits at reasonable costs. ASBAIT operates by an "Agreement and Declaration of Trust" in accordance with the laws of the State of Arizona, including, without limitation, §15-382 A.R.S. The agreement provides that ASBAIT 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 13 - 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.

Contingencies - On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated since it is still developing.

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 14 - SUBSEQUENT EVENTS

Grants - The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law on December 27, 2020. It provides additional money for the Elementary and Secondary School Emergency Relief Fund (ESSER) and the Governor's Emergency Education Relief Fund (GEER), programs created by the Coronavirus Aid, Relief, and Economic Security Act (CARES) in March 2020. The Arizona Department of Education allocated \$200,000 in ESSER II grant monies that can be expended through September 30, 2022; and \$113,674 in ESSER III grant monies that can be expended through September 30, 2023. The District spent \$78,516 from ESSER II Fund and none from ESSER III Fund during fiscal year 2020-21. Therefore, the unspent remaining amounts were \$121,484 from ESSER II Fund and \$113,674 from ESSER III Fund, which can be used for subsequent fiscal years.

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REQUIRED SUPPLEMENTARY INFORMATION

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PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		(Non-GAAP)	<u>Variance</u>
	<u>Adopted</u>	<u>Final</u>	Actual Amounts	
Revenues:				
Property taxes	\$ 1,362,889	\$ 1,563,030	\$ 1,162,907	\$ (400,123)
State aid and grants	271,757	311,665	231,881	(79,784)
Other local revenue	182,281	209,049	155,534	(53,515)
Total revenues	<u>1,816,927</u>	<u>2,083,744</u>	<u>1,550,322</u>	<u>(533,422)</u>
Expenditures:				
Regular education:				
Instruction	638,593	820,312	388,491	431,821
Support services - students and staff	231,232	231,232	179,956	51,276
Support services - administration	303,482	303,482	256,244	47,238
Operation and maintenance of plant	320,348	320,348	258,404	61,944
Operation of non-instructional services	15,786	15,786	9,746	6,040
School-sponsored cocurricular activities	3,866	3,866	1,542	2,324
School-sponsored athletics	68,043	68,043	46,437	21,606
Total regular education	<u>1,581,350</u>	<u>1,763,069</u>	<u>1,140,820</u>	<u>622,249</u>
Special education:				
Instruction	148,012	158,012	134,492	23,520
Support services - students and staff	1,967	1,967	5,985	(4,018)
Support services - administration	64	64	169	(105)
Total special education	<u>150,043</u>	<u>160,043</u>	<u>140,646</u>	<u>19,397</u>
Student transportation services:				
Student transportation services	67,545	140,000	139,922	78
Total expenditures	<u>1,798,938</u>	<u>2,063,112</u>	<u>1,421,388</u>	<u>641,724</u>
Net changes in fund balances	17,989	20,632	128,934	108,302
Fund balance, July 1, 2020	600,374	600,374	600,374	-
Change in prepaid items	-	-	10,464	10,464
Fund balance (non-GAAP), June 30, 2021	<u>\$ 618,363</u>	<u>\$ 621,006</u>	<u>\$ 739,772</u>	<u>\$ 118,766</u>

See note accompanying this schedule.

**PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
BUDGETARY COMPARISON SCHEDULE - PERSONNEL SERVICE FUND
YEAR ENDED JUNE 30, 2021**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Other local revenue	\$ 50,500	\$ 52,520	\$ 309,985	\$ 257,465
Total revenues	<u>50,500</u>	<u>52,520</u>	<u>309,985</u>	<u>257,465</u>
Expenditures:				
Instruction	14,143	14,709	87,684	(72,975)
Support services - students and staff	12,275	12,766	76,102	(63,336)
Support services - administration	18,551	19,293	115,010	(95,717)
Operation and maintenance of plant	5,031	5,232	31,189	(25,957)
Total expenditures	<u>50,000</u>	<u>52,000</u>	<u>309,985</u>	<u>(257,985)</u>
Net change in fund balances	500	520	-	(520)
Fund balance, July 1, 2020	<u>36,211</u>	<u>36,211</u>	<u>36,211</u>	<u>-</u>
Fund balance, June 30, 2021	<u>\$ 36,711</u>	<u>\$ 36,731</u>	<u>\$ 36,211</u>	<u>\$ (520)</u>

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
BUDGETARY COMPARISON SCHEDULE - TRANSPORTATION FUND
YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Other local revenue	\$ 606,000	\$ 787,800	\$ 229,858	\$ (557,942)
Total revenues	<u>606,000</u>	<u>787,800</u>	<u>229,858</u>	<u>(557,942)</u>
Expenditures:				
Current:				
Support services - administration	102,394	133,112	34,106	99,006
Operation and maintenance of plant	24,063	31,282	8,015	23,267
Student transportation services	279,007	362,709	92,933	269,776
Capital outlay	194,536	252,897	64,797	188,100
Total expenditures	<u>600,000</u>	<u>780,000</u>	<u>199,851</u>	<u>580,149</u>
Net change in fund balances	6,000	7,800	30,007	22,207
Fund balance, July 1, 2020	321,278	321,278	321,278	-
Change in inventories	-	-	6,654	6,654
Change in prepaid items	-	-	1,587	1,587
Fund balance, June 30, 2021	<u>\$ 327,278</u>	<u>\$ 329,078</u>	<u>\$ 359,526</u>	<u>\$ 30,448</u>

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

ASRS - Pension	Reporting Fiscal Year (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
District's proportion of the net pension liability	0.01 %	0.01 %	0.01 %	0.01 %
District's proportionate share of the net pension liability	\$ 1,498,744	\$ 1,357,624	\$ 1,387,675	\$ 1,517,302
District's covered payroll	\$ 971,541	\$ 1,027,487	\$ 1,076,785	\$ 952,736
District's proportionate share of the net pension liability as a percentage of its covered payroll	154.26 %	132.13 %	128.87 %	159.26 %
Plan fiduciary net position as a percentage of the total pension liability	69.33 %	73.24 %	73.40 %	69.92 %

Reporting Fiscal Year
(Measurement Date)

2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2012
0.01 %	0.01 %	0.01 %	Information is not available. Additional information will be presented as it becomes available.
\$ 1,898,182	\$ 1,806,128	\$ 1,749,645	
\$ 1,092,977	\$ 1,061,901	\$ 1,073,150	
173.67 %	170.08 %	163.04 %	
67.06 %	68.35 %	69.49 %	

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
JUNE 30, 2021

ASRS - Pension	Reporting Fiscal Year			
	2021	2020	2019	2018
Statutorily required contribution	\$ 139,957	\$ 108,418	\$ 110,048	\$ 106,810
District's contributions in relation to the statutorily required contribution	139,957	108,418	110,048	106,810
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,254,495	\$ 971,541	\$ 1,027,487	\$ 1,076,785
District's contributions as a percentage of covered payroll	11.16 %	11.16 %	10.71 %	9.92 %

Reporting Fiscal Year			2014 through 2012
2017	2016	2015	
\$ 104,920	\$ 112,039	\$ 108,102	Information is not available. Additional information will be presented as it becomes available.
<u>104,920</u>	<u>112,039</u>	<u>108,102</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 952,736	\$ 1,092,977	\$ 1,061,901	
11.01 %	10.25 %	10.18 %	

PATAGONIA UNION HIGH SCHOOL DISTRICT NO. 20
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021

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 items:

- 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.
- B. Expenditures that are allowable for budget reporting but not allowable as expenditures within the scope of generally accepted accounting standards are detailed and reconciled at the bottom of the following table.

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.

	General Fund					
	Revenues	Expenditures	Other Financing Sources	Beginning Fund Balance	Change In Prepays	Ending Fund Balance
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds - General Fund - GAAP	\$ 1,572,773	\$ 1,461,416	\$ 5,462	\$ 718,309	\$ 13,506	\$ 848,634
Less: budgeted special revenue funds reported within the General Fund	22,451	33,893	5,462	117,935	3,042	114,997
Maintenance and Operation - GAAP	<u>\$ 1,550,322</u>	<u>\$ 1,427,523</u>	<u>\$ -</u>	<u>\$ 600,374</u>	<u>\$ 10,464</u>	<u>\$ 733,637</u>
Less prior year encumbrance prepaid items		(41,463)				41,463
Add current year encumbrance prepaid items		35,328				(35,328)
Maintenance and Operation - Non-GAAP	<u>\$ 1,550,322</u>	<u>\$ 1,421,388</u>	<u>\$ -</u>	<u>\$ 600,374</u>	<u>\$ 10,464</u>	<u>\$ 739,772</u>

**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
Patagonia Union High School District No. 20

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 Patagonia Union High School District No. 20 (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) 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.

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 11, 2022.

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.



Certified Public Accountants
Mesa, Arizona

March 11, 2022