



McNary Elementary School District No. 23
Single Audit Reporting Package
Year Ended June 30, 2021

McNary Elementary School District No. 23

Single Audit Reporting Package
Year Ended June 30, 2021

Issued by:
Business and Finance Department

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23

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**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2021**

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Independent Auditor's Report

Governing Board
McNary Elementary School District No. 23

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McNary Elementary School District No. 23 (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.

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 McNary Elementary School District No. 23, as of 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of McNary Elementary School District No. 23 and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Supplementary Information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2022, on our consideration of McNary Elementary School District No. 23'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 McNary Elementary School District No. 23'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 McNary Elementary School District No. 23's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
March 30, 2022

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

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**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

As management of the McNary Elementary School District No. 23 (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. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities decreased \$202,719 which represents a three percent decrease from the prior fiscal year as a result of an increased pension liability.
- General revenues accounted for \$2.5 million in revenue, or 85 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$435,430 or 15 percent of total current fiscal year revenues.
- The District had approximately \$3.1 million in expenses related to governmental activities, a decrease of one percent.
- Among major funds, the General Fund had \$2.3 million current fiscal year revenues, which primarily consisted of state and federal aid, and \$2.3 million in expenditures. The General Fund's fund balance increased \$11,739 from the prior fiscal year end to \$6.7 million at the end of the current fiscal year.
- The Title I Grants Fund had \$130,617 in revenues and \$147,624 in expenditures.
- The Other Federal Projects Fund had \$91,997 in revenues and \$134,272 in expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues. The governmental activities of the District include instruction, support services, operation and maintenance of plant services, student transportation services, and operation of non-instructional services.

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 are reported as 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 use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

OVERVIEW OF FINANCIAL STATEMENTS

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General, Title I Grants, and Other Federal Projects Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules.

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.

Other 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 and pension plan. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

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 exceeded liabilities by \$7.5 million at the current fiscal year end.

The largest portion of the District's net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment and construction in progress), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The District had no related debt. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	As of June 30, 2021	As of June 30, 2020
Current assets	\$ 7,361,290	\$ 7,288,732
Capital assets, net	1,884,870	1,988,726
Total assets	<u>9,246,160</u>	<u>9,277,458</u>
Deferred outflows	<u>665,846</u>	<u>256,325</u>
Current liabilities	9,699	12,289
Long-term liabilities	2,356,595	1,652,867
Total liabilities	<u>2,366,294</u>	<u>1,665,156</u>
Deferred inflows		<u>120,196</u>
Net position:		
Investment in capital assets	1,884,870	1,988,726
Restricted	640,184	576,775
Unrestricted	5,020,658	5,182,930
Total net position	<u>\$ 7,545,712</u>	<u>\$ 7,748,431</u>

At the end of the current fiscal year the District reported positive balances in all three categories of net position. The same situation held true for the prior fiscal year.

The District's financial position is the product of several financial transactions including the net result of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following are significant current year transactions that had an impact on the Statement of Net Position.

- The addition of \$103,856 of accumulated depreciation due to current year depreciation expense.
- The increase of \$719,048 in pension liabilities.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

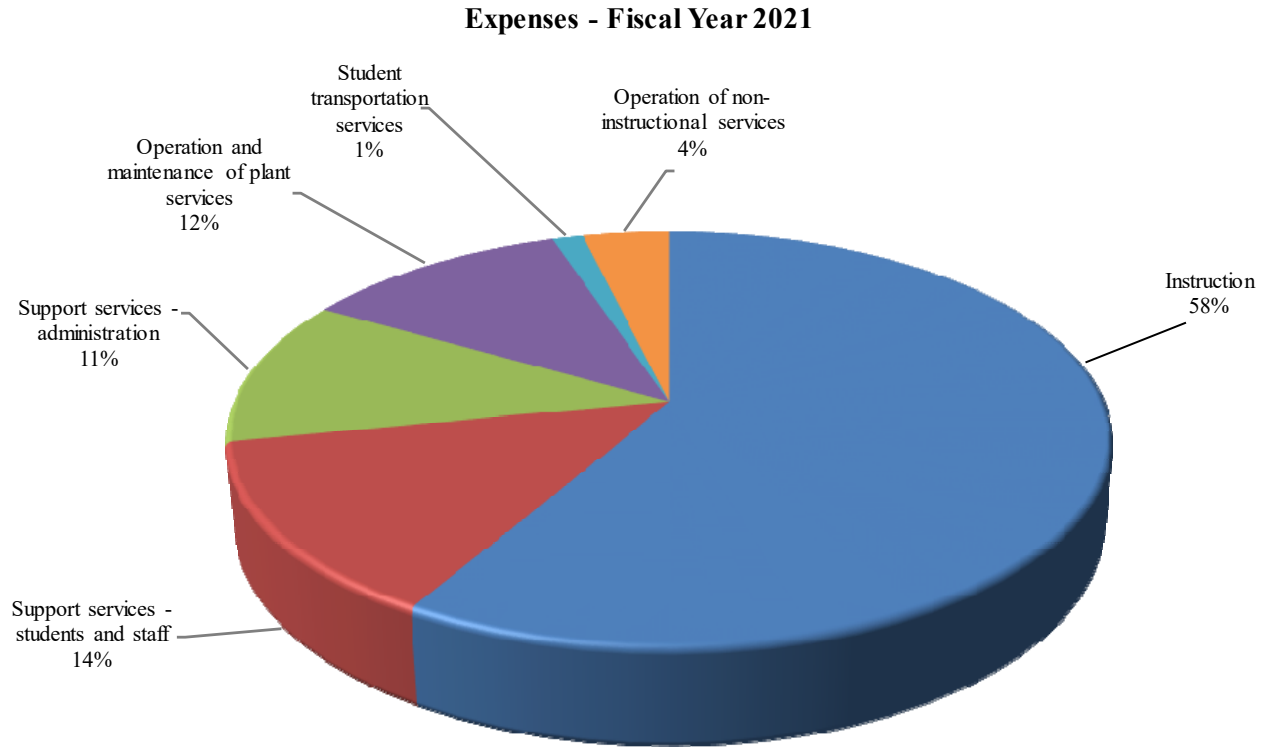
GOVERNMENT-WIDE FINANCIAL ANALYSIS

Changes in net position. The District's total revenues for the current fiscal year were \$2.9 million. The total cost of all programs and services was \$3.1 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2021 and June 30, 2020.

	Fiscal Year Ended June 30, 2021	Fiscal Year Ended June 30, 2020
Revenues:		
Program revenues:		
Charges for services	\$ 5,070	\$ 31,994
Operating grants and contributions	367,994	400,557
Capital grants and contributions	62,366	
General revenues:		
Investment income	6,137	96,308
Unrestricted county aid	58,096	53,182
Unrestricted state aid	1,173,069	1,092,871
Unrestricted federal aid	1,236,593	1,143,487
Total revenues	2,909,325	2,818,399
Expenses:		
Instruction	1,815,710	1,758,829
Support services - students and staff	424,530	420,635
Support services - administration	353,758	293,025
Operation and maintenance of plant services	360,260	376,022
Student transportation services	41,769	68,210
Operation of non-instructional services	116,017	226,337
Total expenses	3,112,044	3,143,058
Changes in net position	(202,719)	(324,659)
Net position, beginning	7,748,431	8,073,090
Net position, ending	\$ 7,545,712	\$ 7,748,431

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS



The following are significant current year transactions that had an impact on the change in net position.

- The increase of \$62,366 in capital grants and contributions was primarily due to federal funding received related to COVID-19 grants.
- The increase of \$80,198 in unrestricted state aid was primarily due to additional state equalization funding as a result of an increase in the per pupil funding for teacher salaries.
- Operation of non-instructional services decreased \$110,320 as a result of lower expenses related to food service costs incurred during periods of remote learning.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents the cost of the District's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and District's taxpayers by each of these functions.

	Year Ended June 30, 2021		Year Ended June 30, 2020	
	Total	Net (Expense)/	Total	Net (Expense)/
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 1,815,710	\$ (1,589,160)	\$ 1,758,829	\$ (1,618,338)
Support services - students and staff	424,530	(318,139)	420,635	(277,741)
Support services - administration	353,758	(347,851)	293,025	(281,809)
Operation and maintenance of plant services	360,260	(327,786)	376,022	(358,196)
Student transportation services	41,769	(41,769)	68,210	(68,210)
Operation of non-instructional services	116,017	(51,909)	226,337	(106,213)
Total	<u>\$ 3,112,044</u>	<u>\$ (2,676,614)</u>	<u>\$ 3,143,058</u>	<u>\$ (2,710,507)</u>

- The cost of all governmental activities this year was \$3.1 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$435,430.
- Net cost of governmental activities of \$2.7 million was financed by general revenues, which are made up of primarily federal aid of \$1.2 million and state and county aid of \$1.2 million. Investment earnings accounted for \$6,137 of funding.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$7.3 million, an increase of \$10,247.

The General Fund comprises 92 percent of the total fund balance. Almost the entire General Fund's fund balance of \$6.7 million is unassigned.

The General Fund is the principal operating fund of the District. The fund balance increased \$11,739 in the General Fund to \$6.7 million as of fiscal year end. General Fund revenues increased \$107,087 as a result of additional state aid. General Fund expenditures decreased \$303,631 as a result of no capital asset purchases in the current year.

The Title I Grants Fund had a deficit fund balance of \$2,768. Fund revenues decreased \$45,298 and expenditures decreased \$20,661.

The Other Federal Projects Fund had a deficit fund balance of \$45,153. Fund revenues increased \$74,555 and expenditures increased \$118,040 as a result of funding received related to COVID-19 grants.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget for changes in actual expenditures compared to projected expenditures. The difference between the original budget and the final amended budget was a \$10,071 increase, or one percent.

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. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. The overall favorable variance of \$759,071 was a result of budgeting to the maximum general budget limit to maximize the budget carryforward.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District had invested \$3.8 million in capital assets, including school buildings, athletic facilities, buses, and other vehicles, computers, and equipment. Total depreciation expense for the current fiscal year was \$103,856. The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2021 and June 30, 2020.

	As of June 30, 2021	As of June 30, 2020
Capital assets - non-depreciable	\$ 7,537	\$ 7,537
Capital assets - depreciable, net	1,877,333	1,981,189
Total	\$ 1,884,870	\$ 1,988,726

Additional information on the District's capital assets can be found in Note 6.

Debt Administration. The District's general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 15 percent of the total net full cash assessed valuation) and the statutory debt limit on Class B bonds (the greater of 10 percent of the net full cash assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$188,751 and the Class B debt limit is \$95,481. At year end, the District had no long-term outstanding debt.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

Many factors were considered by the District's administration during the process of developing the fiscal year 2021-22 budget. Among them:

- Fiscal year 2020-21 budget balance carry forward (estimated \$802,916).
- District student population (estimated 125).

Also considered in the development of the budget is the local economy and inflation of the surrounding area.

Budgeted expenditures in the General Fund increased 14 percent to \$2.1 million in fiscal year 2021-22. An increase in student enrollment is the primary reason for the increase. State and federal aid are expected to be the primary funding sources. No new programs were added to the 2021-22 budget.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2021**

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, McNary Elementary School District No. 23, 108 N. Pollack, P. O. Box 598, McNary, Arizona 85930.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 7,272,239
Due from governmental entities	64,901
Deposits held by others	5,854
Prepaid items	18,296
Total current assets	7,361,290
Noncurrent assets:	
Capital assets not being depreciated	7,537
Capital assets, net of accumulated depreciation	1,877,333
Total noncurrent assets	1,884,870
Total assets	9,246,160
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension plan items	665,846
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	1,938
Compensated absences payable	21,942
Unearned revenues	7,761
Total current liabilities	31,641
Noncurrent liabilities:	
Non-current portion of long-term obligations	2,334,653
Total noncurrent liabilities	2,334,653
Total liabilities	2,366,294
 <u>NET POSITION</u>	
Investment in capital assets	1,884,870
Restricted for:	
Instruction	288,281
Food service	5,847
Non- instructional purposes	328
Capital outlay	345,728
Unrestricted	5,020,658
Total net position	\$ 7,545,712

The notes to the basic financial statements are an integral part of this statement.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Functions/Programs	<u>Program Revenues</u>				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 1,815,710	\$ 1,052	\$ 163,132	\$ 62,366	\$ (1,589,160)
Support services - students and staff	424,530		106,391		(318,139)
Support services - administration	353,758		5,907		(347,851)
Operation and maintenance of plant services	360,260		32,474		(327,786)
Student transportation services	41,769				(41,769)
Operation of non-instructional services	116,017	4,018	60,090		(51,909)
Total governmental activities	<u>\$ 3,112,044</u>	<u>\$ 5,070</u>	<u>\$ 367,994</u>	<u>\$ 62,366</u>	<u>(2,676,614)</u>

General revenues:

Investment income	6,137
Unrestricted county aid	58,096
Unrestricted state aid	1,173,069
Unrestricted federal aid	1,236,593
Total general revenues	<u>2,473,895</u>

Changes in net position (202,719)

Net position, beginning of year 7,748,431

Net position, end of year \$ 7,545,712

The notes to the basic financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2021

	General	Title I Grants	Other Federal Projects
<u>ASSETS</u>			
Cash and investments	\$ 6,645,190	\$	\$
Due from governmental entities		19,259	45,153
Due from other funds	64,412		
Deposits held by others			
Prepaid items	1,805	16,491	
Total assets	\$ 6,711,407	\$ 35,750	\$ 45,153
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$	\$	\$
Due to other funds		19,259	45,153
Unearned revenues			
Total liabilities		19,259	45,153
Deferred inflows of resources:			
Unavailable revenues - intergovernmental		19,259	45,153
Fund balances (deficits):			
Nonspendable	1,805	16,491	
Restricted			
Unassigned	6,709,602	(19,259)	(45,153)
Total fund balances	6,711,407	(2,768)	(45,153)
 Total liabilities, deferred inflows of resources and fund balances	 \$ 6,711,407	 \$ 35,750	 \$ 45,153

The notes to the basic financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
\$ 627,049	\$ 7,272,239
489	64,901
	64,412
5,854	5,854
	18,296
<u>\$ 633,392</u>	<u>\$ 7,425,702</u>

\$ 1,938	\$ 1,938
	64,412
<u>7,761</u>	<u>7,761</u>
<u>9,699</u>	<u>74,111</u>

<u>489</u>	<u>64,901</u>
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	18,296
623,693	623,693
(489)	6,644,701
<u>623,204</u>	<u>7,286,690</u>

<u>\$ 633,392</u>	<u>\$ 7,425,702</u>
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MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021

Total governmental fund balances		\$ 7,286,690
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 3,780,364	
Less accumulated depreciation	<u>(1,895,494)</u>	1,884,870
<p>Intergovernmental receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
		64,901
<p>Deferred outflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
		665,846
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences payable	(29,643)	
Net pension liability	<u>(2,326,952)</u>	<u>(2,356,595)</u>
Net position of governmental activities		<u><u>\$ 7,545,712</u></u>

The notes to the basic financial statements are an integral part of this statement.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	<u>General</u>	<u>Title I Grants</u>	<u>Other Federal Projects</u>
Revenues:			
Other local	\$ 56,876	\$	\$
State aid and grants	1,029,452		
Federal aid, grants and reimbursements	<u>1,236,593</u>	<u>130,617</u>	<u>91,997</u>
Total revenues	<u>2,322,921</u>	<u>130,617</u>	<u>91,997</u>
Expenditures:			
Current -			
Instruction	1,367,236	72,040	63,426
Support services - students and staff	297,588	59,093	6,097
Support services - administration	299,251		5,187
Operation and maintenance of plant services	275,919		16,459
Operation of non-instructional services	28,146		
Capital outlay	<u>48,092</u>	<u>16,491</u>	<u>43,103</u>
Total expenditures	<u>2,316,232</u>	<u>147,624</u>	<u>134,272</u>
Excess (deficiency) of revenues over expenditures	<u>6,689</u>	<u>(17,007)</u>	<u>(42,275)</u>
Other financing sources (uses):			
Transfers in	6,139		
Transfers out		<u>(2,252)</u>	<u>(2,878)</u>
Total other financing sources (uses)	<u>6,139</u>	<u>(2,252)</u>	<u>(2,878)</u>
Changes in fund balances	<u>12,828</u>	<u>(19,259)</u>	<u>(45,153)</u>
Fund balances, beginning of year	6,699,668		
Increase (decrease) in reserve for prepaid items	(1,089)	16,491	
Fund balances, end of year	<u>\$ 6,711,407</u>	<u>\$ (2,768)</u>	<u>\$ (45,153)</u>

The notes to the basic financial statements are an integral part of this statement.

Non-Major Governmental Funds	Total Governmental Funds
\$ 14,277	\$ 71,153
143,617	1,173,069
140,995	1,600,202
<u>298,889</u>	<u>2,844,424</u>
66,458	1,569,160
38,952	401,730
2,795	307,233
19,591	311,969
74,652	102,798
46,843	154,529
<u>249,291</u>	<u>2,847,419</u>
<u>49,598</u>	<u>(2,995)</u>
	6,139
<u>(1,009)</u>	<u>(6,139)</u>
<u>(1,009)</u>	
<u>48,589</u>	<u>(2,995)</u>
576,775	7,276,443
(2,160)	13,242
<u>\$ 623,204</u>	<u>\$ 7,286,690</u>

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

Changes in fund balances - total governmental funds	\$	(2,995)
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p> <p>Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Less current year depreciation	(103,856)	(103,856)
<p>Intergovernmental revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
		64,901
<p>Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.</p>		
Current year pension contributions	159,362	
Pension expense	(348,693)	(189,331)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Prepaid items	13,242	
Compensated absences	15,320	28,562
Changes in net position in governmental activities	\$	<u>(202,719)</u>

The notes to the basic financial statements are an integral part of this statement.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the McNary Elementary School District No. 23 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

The Governing Board is organized under Section 15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. The County Treasurer collects taxes for the District, but exercises no control over its expenditures/expenses.

The membership of the Governing Board consists of three members elected by the public. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools.

The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls.

The financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The District's major operations include education, student transportation, construction and maintenance of District facilities and food services.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the District.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The District does not have any business-type activities or fiduciary activities.

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

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

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 when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

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

Federal, state and county aid, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Unearned revenues arise when resources are received by the District before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Receivables that will not be collected within the available period have also been reported as unavailable revenues on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

The District reports the following major governmental funds:

General Fund – The General Fund is the District’s primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. The General Fund includes the District’s Maintenance and Operation Fund as well as certain activities budgeted in separate funds in accordance with A.R.S. These funds are maintained as separate funds for budgetary purposes but do not meet the criteria for separate reporting in the financial statements.

Title I Grants Fund – The Title I Grants Fund accounts for financial assistance received for the purpose of improving the teaching and learning of children failing, or most at-risk of failing, to meet challenging State academic standards.

Other Federal Projects Fund – The Other Federal Projects Fund accounts for financial assistance received for other supplemental federal projects.

D. Cash and Investments

A.R.S. 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 of the Debt Service and Bond Building Funds that may be invested separately. Interest earned from investments purchased with pooled monies is allocated to each of the District’s funds based on their average balances. As required by statute, interest earnings of the Bond Building Fund are recorded initially in that fund, but then transferred to the Debt Service Fund. The District does not currently have a Debt Service or a Bond Building Fund. All investments are stated at fair value.

Statute authorizes the District to separately invest monies of the Bond Building and Debt Service Funds in the State Treasurer’s investment pools; obligations issued and 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.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statute authorizes the District to deposit monies of the Auxiliary Operations and Student Activities Funds in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholdings accounts for taxes 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. Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer's Office. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. 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.

E. 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.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is 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." Interfund balances between governmental funds are eliminated on the Statement of Net Position. All receivables are shown net of an allowance for uncollectibles.

G. 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. Prepaid items are recorded as expenses when consumed in the government-wide financial statements and as expenditures when purchased in the fund financial statements.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

H. Capital Assets

Capital assets, which include land and improvements; buildings and improvements; vehicles, furniture, and equipment; and construction in progress, are reported in the government-wide financial statements.

Capital assets are defined by the District as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

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

Land improvements	5 - 7 years
Buildings and improvements	10 - 50 years
Vehicles, furniture and equipment	5 - 10 years

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

J. Compensated Absences

The District's employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for vacation and sick leave is reported in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

K. Pensions

For purposes of measuring the net pension liability, related deferred outflows of resources and deferred inflows of resources, and pension expense, information about the pension plan's fiduciary net position and additions to/deductions from the plan's 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.

L. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

M. 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.

N. Net Position Flow Assumption

In the government-wide financial statements the District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted amounts are available.

O. 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.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

Restricted. Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation.

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The District does not have a formal policy or procedures for the utilization of committed fund balance, accordingly, no committed fund balance amounts are reported.

Assigned. Amounts in the assigned fund balance classification are intended to be used by the District for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Governing Board or a management official delegated that authority by 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.

Unassigned. Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The District applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 – FUND BALANCE CLASSIFICATIONS

The table below provides detail of the major components of the District’s fund balance classifications at year end.

	General Fund	Title I Grants Fund	Other Federal Projects Fund	Non-Major Governmental Funds
Fund Balances:				
Nonspendable:				
Prepaid items	\$ 1,805	\$ 16,491	\$	\$
Restricted:				
Capital projects				345,728
Voter approved initiatives				225,847
Federal and state projects				18,722
Food service				5,847
Civic center				328
Extracurricular activities				16,102
Student activities				11,119
Unassigned	6,709,602	(19,259)	(45,153)	(489)
Total fund balances	\$ 6,711,407	\$ (2,768)	\$ (45,153)	\$ 623,204

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Individual Deficit Fund Balances – At year end, the following individual major and non-major governmental funds reported deficits in fund balance.

	Deficit
Major Funds:	
Title I Grants	\$ 2,768
Other Federal Projects	45,153
Non-Major Governmental Fund:	
Indian Education	489

The deficits arose because of operations during the year and because of pending grant reimbursements. Additional revenues received in fiscal year 2021-22 are expected to eliminate the deficits.

Excess Expenditures Over Budget – At year end, the District had expenditures in funds that exceeded the budgets, however, this does not constitute a violation of any legal provisions.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District’s deposits was \$11,119 and the bank balance was \$13,344.

Fair Value Measurements. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The County Treasurer’s pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant’s position in the County Treasurer investment pool approximates the value of the participant’s shares in the pool and the participants’ 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.

At year end, the District’s investments consisted of the following.

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	3.7 years	\$ 7,261,120

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

Credit Risk. The District has no investment policy that would further limit its investment choices. As of year end, the District’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

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

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – RECEIVABLES

Receivable balances, net of allowance for uncollectibles, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectibles, as of year end for the District’s major fund and non-major governmental funds in the aggregate were as follows:

	Title I Grants Fund	Other Federal Project Fund	Non-Major Governmental Funds
Due from other governmental entities:			
Due from federal government	\$ 19,259	\$ 45,153	\$ 489
Net due from governmental entities	<u>\$ 19,259</u>	<u>\$ 45,153</u>	<u>\$ 489</u>

NOTE 6 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Land	\$ 7,537	\$	\$	\$ 7,537
Total capital assets, not being depreciated	<u>7,537</u>			<u>7,537</u>
Capital assets, being depreciated:				
Land improvements	68,479			68,479
Buildings and improvements	3,113,588			3,113,588
Vehicles, furniture and equipment	590,760			590,760
Total capital assets being depreciated	<u>3,772,827</u>			<u>3,772,827</u>
Less accumulated depreciation for:				
Land improvements	(65,619)			(65,619)
Buildings and improvements	(1,357,009)	(58,737)		(1,415,746)
Vehicles, furniture and equipment	(369,010)	(45,119)		(414,129)
Total accumulated depreciation	<u>(1,791,638)</u>	<u>(103,856)</u>		<u>(1,895,494)</u>
Total capital assets, being depreciated, net	<u>1,981,189</u>	<u>(103,856)</u>		<u>1,877,333</u>
Governmental activities capital assets, net	<u>\$ 1,988,726</u>	<u>\$ (103,856)</u>	<u>\$</u>	<u>\$ 1,884,870</u>

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 6 – CAPITAL ASSETS

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 59,455
Support services – students and staff	5,453
Support services - administration	5,734
Operation and maintenance of plant services	20,806
Student transportation services	12,408
Total depreciation expense – governmental activities	<u>\$ 103,856</u>

NOTE 7 – CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Net pension liability	\$ 1,607,904	\$ 719,048	\$	\$ 2,326,952	\$
Compensated absences payable	<u>44,963</u>	<u>22,432</u>	<u>37,752</u>	<u>29,643</u>	<u>21,942</u>
Governmental activity long-term liabilities	<u>\$ 1,652,867</u>	<u>\$ 741,480</u>	<u>\$ 37,752</u>	<u>\$ 2,356,595</u>	<u>\$ 21,942</u>

NOTE 8 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, interfund balances were as follows:

Due to/from other funds – At year end, the Title I Grants Fund and Other Federal Projects Fund had negative cash balances of \$19,259 and \$45,153, respectively, in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

Interfund transfers – Transfers of \$6,139 between funds were used to move federal grant funds restricted for indirect costs.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

NOTE 10 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District was unable to obtain general property and liability insurance at a cost it considered to be economically justifiable. Therefore, the District joined the Arizona School Risk Retention Trust, Inc. (ASRRT). ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for school districts and community colleges in the State. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

The District's employees have health and accident insurance coverage with the Arizona School Board Association Insurance Trust (ASBAIT). ASBAIT is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays a monthly premium to ASBAIT for employees' health and accident insurance coverage. 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 joined the Arizona School Alliance for Workers' Compensation, Inc. (Alliance) together with other school districts in the state for risks of loss related to workers' compensation claims. The Alliance is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays quarterly premiums to the Alliance for its employee workers' compensation coverage. The agreement provides that the Alliance will be self-sustaining through members' premiums and will reinsure through commercial companies for claims in excess of specified amounts for each insured event.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – PENSIONS

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. 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 the ASRS website at www.azasrs.gov.

The ASRS OPEB plans are not further disclosed because of their relative insignificance to the District’s financial statements.

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and age equals 80 10 years, age 62 5 years, age 50* Any years, age 65	30 years, age 55 25 years, age 60 10 years, age 62 5 years, age 50* Any years, age 65
Final average salary is based on	Highest 36 months of last 120 months	Highest 60 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 earnings. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member’s death. For retired members, the survivor benefit is determined by the retirement benefit option chosen. For all other members, the beneficiary is entitled to the member’s account balance that includes the member’s contributions and employer’s contributions, plus interest earned.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – PENSIONS

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 current fiscal year, active ASRS members were required by statute 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 the District was required by statute 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. The District’s contributions to the pension plan for the year ended June 30, 2021 were \$159,362.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The District was required by statute to contribute at the actuarially determined rate of 10.21 percent (10.14 for retirement and 0.07 percent for long-term disability). ACR contributions are included in employer contributions presented above.

The District’s pension plan contributions are paid by the same funds as the employee’s salary, with the largest component coming from the General Fund.

Pension Liability. The net pension 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 applicable plan relative to the total of all participating employers’ contributions to the plan for the year ended June 30, 2020.

At June 30, 2021, the District reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2020, the District’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2019 was:

Net Liability	District % Proportion	Increase (Decrease)
\$ 2,326,952	0.013	0.002

Pension Expense and Deferred Outflows/Inflows of Resources. The District has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The District’s pension expense for the year ended June 30, 2021 was \$348,693.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – PENSIONS

The District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 21,051	\$
Net difference between projected and actual earnings on pension investments	224,437	
Changes in proportion and differences between contributions and proportionate share of contributions	260,996	
Contributions subsequent to the measurement date	159,362	
Total	\$ 665,846	\$

The District did not have deferred inflows of resources related to pensions during the year.

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2022	\$	175,411
2023		180,475
2024		81,181
2025		69,417

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – PENSIONS

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%
Inflation	2.3%
Projected salary increases	2.7-7.2%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

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 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, excluding any expected inflation.

On June 29, 2018, the ASRS Board approved updated strategic asset allocation targets, to be effective July 2018. 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%	6.39%
Credit	20	5.44
Interest rate sensitive bonds	10	0.22
Real estate	20	5.85
Total	<u>100%</u>	

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 11 – PENSIONS

Discount Rate. The discount rate used to measure the 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 plan’s 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following 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 proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.5%	7.5%	8.5%
Net liability	\$ 3,182,075	\$ 2,326,952	\$ 1,612,113

Pension Plan Fiduciary Net Position. Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report. The report is available on the ASRS website at www.azasrs.gov.

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REQUIRED SUPPLEMENTARY INFORMATION

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**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 56,421	\$ 56,421
State aid and grants			1,029,439	1,029,439
Total revenues			<u>1,085,860</u>	<u>1,085,860</u>
Expenditures:				
Current -				
Instruction	1,282,468	1,292,539	889,960	402,579
Support services - students and staff	61,948	61,948	27,850	34,098
Support services - administration	102,825	103,739	170,564	(66,825)
Operation and maintenance of plant services	308,987	308,073	4,580	303,493
Student transportation services	19,726	19,726		19,726
Operation of non-instructional services	66,000	66,000		66,000
Total expenditures	<u>1,841,954</u>	<u>1,852,025</u>	<u>1,092,954</u>	<u>759,071</u>
Changes in fund balances	<u>(1,841,954)</u>	<u>(1,852,025)</u>	<u>(7,094)</u>	<u>1,844,931</u>
Fund balances, beginning of year			153,512	153,512
Fund balances (deficits), end of year	<u>\$ (1,841,954)</u>	<u>\$ (1,852,025)</u>	<u>\$ 146,418</u>	<u>\$ 1,998,443</u>

See accompanying notes to this schedule.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TITLE I GRANTS
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original & Final</u>	<u>Actual</u>	<u>(Negative)</u>
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 130,617	\$ 130,617
Total revenues		<u>130,617</u>	<u>130,617</u>
Expenditures:			
Current -			
Instruction	99,489	72,040	27,449
Support services - students and staff		59,093	(59,093)
Capital outlay		16,491	(16,491)
Total expenditures	<u>99,489</u>	<u>147,624</u>	<u>(48,135)</u>
Excess (deficiency) of revenues over expenditures	<u>(99,489)</u>	<u>(17,007)</u>	<u>82,482</u>
Other financing sources (uses):			
Transfers out		(2,252)	(2,252)
Total other financing sources (uses)		<u>(2,252)</u>	<u>(2,252)</u>
Changes in fund balances	<u>(99,489)</u>	<u>(19,259)</u>	<u>80,230</u>
Fund balances, beginning of year			
Increase (decrease) in reserve for prepaid items		16,491	16,491
Fund balances (deficits), end of year	<u>\$ (99,489)</u>	<u>\$ (2,768)</u>	<u>\$ 96,721</u>

See accompanying notes to this schedule.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER FEDERAL PROJECTS
YEAR ENDED JUNE 30, 2021**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 91,997	\$ 91,997
Total revenues	166,913	91,997	91,997
Expenditures:			
Current -			
Instruction	166,913	63,426	103,487
Support services - students and staff		6,097	(6,097)
Support services - administration		5,187	(5,187)
Operation and maintenance of plant services		16,459	(16,459)
Capital outlay		43,103	(43,103)
Total expenditures	166,913	134,272	32,641
Excess (deficiency) of revenues over expenditures	(166,913)	(42,275)	124,638
Other financing sources (uses):			
Transfers out		(2,878)	(2,878)
Total other financing sources (uses)		(2,878)	(2,878)
Changes in fund balances	(166,913)	(45,153)	121,760
Fund balances, beginning of year			
Fund balances (deficits), end of year	\$ (166,913)	\$ (45,153)	\$ 121,760

See accompanying notes to this schedule.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Measurement date	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017
District's proportion of the net pension (assets) liability	0.01%	0.01%	0.01%	0.01%
District's proportionate share of the net pension (assets) liability	\$ 2,326,952	\$ 1,607,904	\$ 1,464,380	\$ 1,680,872
District's covered payroll	\$ 1,459,467	\$ 1,158,640	\$ 1,041,413	\$ 1,050,993
District's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	159.44%	138.78%	140.61%	159.93%
Plan fiduciary net position as a percentage of the total pension liability	69.33%	73.24%	73.40%	69.92%

SCHEDULE OF PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contribution	\$ 159,362	\$ 167,109	\$ 129,536	\$ 113,514
Contributions in relation to the actuarially determined contribution	<u>159,362</u>	<u>167,109</u>	<u>129,536</u>	<u>113,514</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 1,367,914	\$ 1,459,467	\$ 1,158,640	\$ 1,041,413
Contributions as a percentage of covered payroll	11.65%	11.45%	11.18%	10.90%

NOTE: The pension schedules in the required supplementary information are intended to show information for ten years, and additional information will be displayed as it becomes available.

See accompanying notes to this schedule.

<u>2017</u>	<u>2016</u>	<u>2015</u>
June 30, 2016	June 30, 2015	June 30, 2014
0.01%	0.01%	0.01%
\$ 1,812,635	\$ 1,701,258	\$ 1,600,212
\$ 1,050,783	\$ 1,005,987	\$ 975,121
172.50%	169.11%	164.10%
67.06%	68.35%	69.49%

<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 113,297	\$ 114,010	\$ 109,552
<u>113,297</u>	<u>114,010</u>	<u>109,552</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 1,050,993	\$ 1,050,783	\$ 1,005,987
10.78%	10.85%	10.89%

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2021**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

- Certain activities reported in the General Fund are budgeted in separate funds in accordance with Arizona Revised Statutes.

The following schedule reconciles expenditures and fund balances at the end of year:

	Total Expenditures	Fund Balances End of Year
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 2,316,232	\$ 6,711,407
Activity budgeted as special revenue funds	(1,223,278)	(6,564,989)
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	\$ 1,092,954	\$ 146,418

NOTE 2 – PENSION PLAN SCHEDULES

Actuarial Assumptions for Valuations Performed. The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated, which is the most recent actuarial valuation. The actuarial assumptions used are disclosed in the notes to the financial statements.

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2019, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2016. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2017, actuarial valuation.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 760	\$ 760
State aid and grants		73,080	73,080
Federal aid, grants and reimbursements			
Total revenues		<u>73,840</u>	<u>73,840</u>
Expenditures:			
Current -			
Instruction	153,854	43,556	110,298
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>153,854</u>	<u>43,556</u>	<u>110,298</u>
Excess (deficiency) of revenues over expenditures	<u>(153,854)</u>	<u>30,284</u>	<u>184,138</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(153,854)</u>	<u>30,284</u>	<u>184,138</u>
Fund balances, beginning of year		94,220	94,220
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u>\$ (153,854)</u>	<u>\$ 124,504</u>	<u>\$ 278,358</u>

Instructional Improvement			Professional Development and Technology Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 659	\$ 659	\$	\$	\$
	5,312	5,312			
	<u>5,971</u>	<u>5,971</u>		<u>3,678</u>	<u>3,678</u>
				<u>3,678</u>	<u>3,678</u>
92,367		92,367		209	(209)
			8,967	595	8,372
				2,772	(2,772)
<u>92,367</u>		<u>92,367</u>	<u>8,967</u>	<u>3,576</u>	<u>5,391</u>
<u>(92,367)</u>	<u>5,971</u>	<u>98,338</u>	<u>(8,967)</u>	<u>102</u>	<u>9,069</u>
				(102)	(102)
				(102)	(102)
<u>(92,367)</u>	<u>5,971</u>	<u>98,338</u>	<u>(8,967)</u>		<u>8,967</u>
	95,372	95,372		2,160	2,160
				(2,160)	(2,160)
<u>\$ (92,367)</u>	<u>\$ 101,343</u>	<u>\$ 193,710</u>	<u>\$ (8,967)</u>	<u>\$</u>	<u>\$ 8,967</u>

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MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	Title IV Grants		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	10,000		10,000
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	10,000		10,000
Excess (deficiency) of revenues over expenditures	(10,000)		10,000
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(10,000)		10,000
Fund balances, beginning of year			
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$ (10,000)	\$	\$ 10,000

Indian Education			Special Education Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	21,492	21,492		40,075	40,075
	21,492	21,492		40,075	40,075
25,393	21,981	3,412	33,955	425	(425)
				38,743	(4,788)
25,393	21,981	3,412	33,955	39,168	(5,213)
(25,393)	(489)	24,904	(33,955)	907	34,862
				(907)	(907)
				(907)	(907)
(25,393)	(489)	24,904	(33,955)		33,955
\$ (25,393)	\$ (489)	\$ 24,904	\$ (33,955)	\$	\$ 33,955

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MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	E-Rate		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 123	\$ 123
State aid and grants			
Federal aid, grants and reimbursements		15,660	15,660
Total revenues		<u>15,783</u>	<u>15,783</u>
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services	19,935	19,591	344
Operation of non-instructional services			
Capital outlay			
Total expenditures	<u>19,935</u>	<u>19,591</u>	<u>344</u>
Excess (deficiency) of revenues over expenditures	<u>(19,935)</u>	<u>(3,808)</u>	<u>16,127</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	<u>(19,935)</u>	<u>(3,808)</u>	<u>16,127</u>
Fund balances, beginning of year		22,530	22,530
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u>\$ (19,935)</u>	<u>\$ 18,722</u>	<u>\$ 38,657</u>

Impact Aid			Rural Assistance		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	1,236,593	1,236,593		13	13
	<u>1,236,593</u>	<u>1,236,593</u>		<u>13</u>	<u>13</u>
6,446,381	443,106	6,003,275			
	269,738	(269,738)			
	127,620	(127,620)			
	271,339	(271,339)			
	28,146	(28,146)			
	33,741	(33,741)			
<u>6,446,381</u>	<u>1,173,690</u>	<u>5,272,691</u>			
<u>(6,446,381)</u>	<u>62,903</u>	<u>6,509,284</u>		<u>13</u>	<u>13</u>
<u>(6,446,381)</u>	<u>62,903</u>	<u>6,509,284</u>		<u>13</u>	<u>13</u>
	6,438,860	6,438,860		1,869	1,869
	(1,089)	(1,089)			
<u>\$ (6,446,381)</u>	<u>\$ 6,500,674</u>	<u>\$ 12,947,055</u>	<u>\$</u>	<u>\$ 1,882</u>	<u>\$ 1,882</u>

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**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2021**

	Other State Projects		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	21,167		21,167
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	21,167		21,167
Excess (deficiency) of revenues over expenditures	(21,167)		21,167
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(21,167)		21,167
Fund balances, beginning of year			
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$ (21,167)	\$	\$ 21,167

Food Service			Civic Center		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 4,192	\$ 4,192	\$	\$ 2	\$ 2
	60,090	60,090			
	64,282	64,282		2	2
	2,200	(2,200)			
115,000	74,652	40,348	325		325
115,000	76,852	38,148	325		325
(115,000)	(12,570)	102,430	(325)	2	327
(115,000)	(12,570)	102,430	(325)	2	327
	18,417	18,417		326	326
\$ (115,000)	\$ 5,847	\$ 120,847	\$ (325)	\$ 328	\$ 653

(Continued)

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	Auxiliary Operations		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	7,926		7,926
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures	7,926		7,926
Excess (deficiency) of revenues over expenditures	(7,926)		7,926
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(7,926)		7,926
Fund balances, beginning of year			
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$ (7,926)	\$	\$ 7,926

Extracurricular Activities Fees Tax Credit			Gifts and Donations		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 1,950	\$ 1,950	\$	\$ 367	\$ 367
	<u>1,950</u>	<u>1,950</u>		<u>367</u>	<u>367</u>
14,130		14,130	93,040	34,170	58,870
<u>14,130</u>		<u>14,130</u>	<u>93,040</u>	<u>14,351</u>	<u>(14,351)</u>
(14,130)	<u>1,950</u>	<u>16,080</u>	<u>(93,040)</u>	<u>48,521</u>	<u>44,519</u>
<u>(14,130)</u>	<u>1,950</u>	<u>16,080</u>	<u>(93,040)</u>	<u>(48,154)</u>	<u>44,886</u>
	14,152	14,152		93,137	93,137
<u>\$ (14,130)</u>	<u>\$ 16,102</u>	<u>\$ 30,232</u>	<u>\$ (93,040)</u>	<u>\$ 44,983</u>	<u>\$ 138,023</u>

(Continued)

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2021

	Insurance Proceeds		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures			
Excess (deficiency) of revenues over expenditures			
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances			
Fund balances, beginning of year		3	3
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	\$	\$ 3	\$ 3

Litigation Recovery			Indirect Costs		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 12	\$ 12	\$	\$ 76	\$ 76
	<u>12</u>	<u>12</u>		<u>76</u>	<u>76</u>
1,751		1,751			
			11,081	1,067	10,014
<u>1,751</u>		<u>1,751</u>	<u>11,081</u>	<u>1,067</u>	<u>10,014</u>
<u>(1,751)</u>	<u>12</u>	<u>1,763</u>	<u>(11,081)</u>	<u>(991)</u>	<u>10,090</u>
				6,139	6,139
				<u>6,139</u>	<u>6,139</u>
<u>(1,751)</u>	<u>12</u>	<u>1,763</u>	<u>(11,081)</u>	<u>5,148</u>	<u>16,229</u>
	1,753	1,753		10,534	10,534
<u>\$ (1,751)</u>	<u>\$ 1,765</u>	<u>\$ 3,516</u>	<u>\$ (11,081)</u>	<u>\$ 15,682</u>	<u>\$ 26,763</u>

(Continued)

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
 BUDGET AND ACTUAL
 NON-MAJOR SPECIAL REVENUE FUNDS
 YEAR ENDED JUNE 30, 2021**

	Student Activities		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 765	\$ 765
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues		<u>765</u>	<u>765</u>
Expenditures:			
Current -			
Instruction		496	(496)
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Operation of non-instructional services			
Capital outlay			
Total expenditures		<u>496</u>	<u>(496)</u>
Excess (deficiency) of revenues over expenditures		<u>269</u>	<u>269</u>
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances		<u>269</u>	<u>269</u>
Fund balances, beginning of year		10,850	10,850
Increase (decrease) in reserve for prepaid items			
Fund balances (deficits), end of year	<u>\$</u>	<u>\$ 11,119</u>	<u>\$ 11,119</u>

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 8,906	\$ 8,906
	78,405	78,405
	1,377,588	1,377,588
	<u>1,464,899</u>	<u>1,464,899</u>
6,866,009	543,734	6,322,275
33,955	308,690	(274,735)
20,048	131,482	(111,434)
19,935	290,930	(270,995)
115,325	102,798	12,527
	50,864	(50,864)
<u>7,055,272</u>	<u>1,428,498</u>	<u>5,626,774</u>
<u>(7,055,272)</u>	<u>36,401</u>	<u>7,091,673</u>
	6,139	6,139
	(1,009)	(1,009)
	<u>5,130</u>	<u>5,130</u>
<u>(7,055,272)</u>	<u>41,531</u>	<u>7,096,803</u>
	6,804,183	6,804,183
	(3,249)	(3,249)
<u>\$ (7,055,272)</u>	<u>\$ 6,842,465</u>	<u>\$ 13,897,737</u>

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2021

	Unrestricted Capital Outlay		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 4,177	\$ 4,177
State aid and grants		65,225	65,225
Total revenues		69,402	69,402
Expenditures:			
Capital outlay	1,941,472	44,071	1,897,401
Total expenditures	1,941,472	44,071	1,897,401
Changes in fund balances	(1,941,472)	25,331	1,966,803
Fund balances, beginning of year		77,309	77,309
Fund balances (deficits), end of year	\$ (1,941,472)	\$ 102,640	\$ 2,044,112

Building Renewal			Federal Impact Aid - Construction		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 412	\$ 412	\$	\$ 1,237	\$ 1,237
	<u>412</u>	<u>412</u>		<u>1,237</u>	<u>1,237</u>
	412	412		1,237	1,237
	60,426	60,426		181,013	181,013
<u>\$</u>	<u>\$ 60,838</u>	<u>\$ 60,838</u>	<u>\$</u>	<u>\$ 182,250</u>	<u>\$ 182,250</u>

(Continued)

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2021

	Totals		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 5,826	\$ 5,826
State aid and grants		65,225	65,225
Total revenues		<u>71,051</u>	<u>71,051</u>
Expenditures:			
Capital outlay	1,941,472	44,071	1,897,401
Total expenditures	<u>1,941,472</u>	<u>44,071</u>	<u>1,897,401</u>
Changes in fund balances	<u>(1,941,472)</u>	<u>26,980</u>	<u>1,968,452</u>
Fund balances, beginning of year		318,748	318,748
Fund balances (deficits), end of year	<u>\$ (1,941,472)</u>	<u>\$ 345,728</u>	<u>\$ 2,287,200</u>

SINGLE AUDIT SECTION

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**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***

Independent Auditor's Report

Governing Board
McNary Elementary School District No. 23

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 McNary Elementary School District No. 23, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise McNary Elementary School District No. 23's basic financial statements, and have issued our report thereon dated March 30, 2022.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered McNary Elementary School District No. 23's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of McNary Elementary School District No. 23's internal control. Accordingly, we do not express an opinion on the effectiveness of McNary Elementary School District No. 23'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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of 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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether McNary Elementary School District No. 23's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Tucson, Arizona
March 30, 2022

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance; and
Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

Independent Auditor's Report

Governing Board
McNary Elementary School District No. 23

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited McNary Elementary School District No. 23's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of McNary Elementary School District No. 23's major federal programs for the year ended June 30, 2021. McNary Elementary School District No. 23's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, McNary Elementary School District No. 23 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of McNary Elementary School District No. 23 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of McNary Elementary School District No. 23's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to McNary Elementary School District No. 23's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on McNary Elementary School District No. 23's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about McNary Elementary School District No. 23's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding McNary Elementary School District No. 23's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of McNary Elementary School District No. 23's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of McNary Elementary School District No. 23's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of McNary Elementary School District No. 23 as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise McNary Elementary School District No. 23's basic financial statements. We issued our report thereon dated March 30, 2022, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.

Tucson, Arizona

March 30, 2022

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
DEPARTMENT OF AGRICULTURE								
SCHOOL BREAKFAST PROGRAM	10.553		ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$3,500	\$3,500	CHILD NUTRITION CLUSTER	\$60,090
NATIONAL SCHOOL LUNCH PROGRAM	10.555		ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$5,708	\$5,708	CHILD NUTRITION CLUSTER	\$60,090
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559		ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$50,882	\$50,882	CHILD NUTRITION CLUSTER	\$60,090
TOTAL DEPARTMENT OF AGRICULTURE					<u>\$60,090</u>			
DEPARTMENT OF TREASURY								
COVID-19 CORONAVIRUS RELIEF FUND	21.019	COVID-19	ARIZONA GOVERNOR'S OFFICE	ERMT-21-2376	\$30,989	\$30,989	N/A	\$0
TOTAL DEPARTMENT OF TREASURY					<u>\$30,989</u>			
DEPARTMENT OF EDUCATION								
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010		ARIZONA DEPARTMENT OF EDUCATION	S010A200003	\$149,876	\$149,876	N/A	\$0
SPECIAL EDUCATION_GRANTS TO STATES	84.027		ARIZONA DEPARTMENT OF EDUCATION	H027A200007	\$39,650	\$39,650	SPECIAL EDUCATION CLUSTER (IDEA)	\$40,075
IMPACT AID	84.041				\$1,173,690	\$1,173,690	N/A	\$0
INDIAN EDUCATION_GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.060				\$21,981	\$21,981	N/A	\$0
SPECIAL EDUCATION_PRESCHOOL GRANTS	84.173		ARIZONA DEPARTMENT OF EDUCATION	H173A200003	\$425	\$425	SPECIAL EDUCATION CLUSTER (IDEA)	\$40,075
RURAL EDUCATION	84.358	84.358A			\$11,284	\$11,284	N/A	\$0
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367		ARIZONA DEPARTMENT OF EDUCATION	S367A200049	\$3,678	\$3,678	N/A	\$0
COVID-19 EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425D	ARIZONA DEPARTMENT OF EDUCATION	S425D200038	\$64,739	\$94,877	N/A	\$0
COVID-19 EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425C	ARIZONA DEPARTMENT OF EDUCATION	N/A	\$30,138	\$94,877	N/A	\$0
TOTAL DEPARTMENT OF EDUCATION					<u>\$1,495,461</u>			
TOTAL EXPENDITURE OF FEDERAL AWARDS					<u><u>\$1,586,540</u></u>			

Please Note:
Italicized award lines indicate pass-through funding

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Fiscal Period 7/1/2020 - 6/30/2021

Significant Accounting Policies Used in Preparing the SEFA

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of McNary Elementary School District No. 23 under programs of the federal government for the year ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

10% De Minimis Cost Rate

The auditee did not use the de minimis cost rate.

Assistance Listing Numbers

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**MCNARY ELEMENTARY SCHOOL DISTRICT NO. 23
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.041	Impact Aid

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee: Yes

Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: No

Findings and Questioned Costs Related to Federal Awards: No

Summary Schedule of Prior Audit Findings required to be reported: No