

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2021



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Governing Board
Window Rock Unified School District No. 8
Fort Defiance, Arizona

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Window Rock Unified School District No. 8 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During fiscal year ended June 30, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84 *Fiduciary Activities*. As a result of the implementation of this standard, the District reported a restatement for the change in accounting principle (see Note 5). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

Required Supplementary Information

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

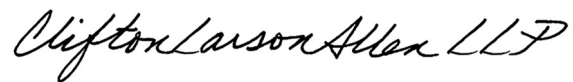
Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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



CliftonLarsonAllen LLP

Phoenix, Arizona
July 11, 2022

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**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

As management of the Window Rock Unified School District No. 8 (the District), we offer the readers of the District's financial statements, this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

- ◆ The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$74.5 million (net position).
- ◆ The District's total net position increased by \$4.5 million.
- ◆ As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$24.2 million, an increase of \$3.3 million in comparison with the prior year.
- ◆ At the end of the current fiscal year, unassigned fund balance for the General Fund was \$20.7 million, or 96.8% of total General Fund expenditures.
- ◆ The District's total bonded debt decreased by a net of \$1.8 million (23.8%) during the current fiscal year. The decrease was due to the scheduled principal requirements due on the bonds during the fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to basic financial statements.

Government-Wide Financial Statements

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

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

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

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

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

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Fund Financial Statements

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

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

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

The District maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Special Projects Fund, Impact Aid Debt Service Fund, and Building Renewal Fund all of which are considered to be major funds. Data from the other seven governmental funds are combined into a single, aggregated presentation.

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

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

The basic governmental fund financial statements can be found on pages 14-19 of this report.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Proprietary Fund – The District maintains one type of proprietary fund (internal service fund). The internal service fund is an accounting device used to accumulate and allocate costs among the District's various funds. The District uses the internal service fund to account for the accumulation of resources to fund the health care related costs of the District's employee benefit self-insured claims. The activity is included in the government-wide financial statements and interfund activity is eliminated. The proprietary fund financial statements can be found on pages 20-22.

Notes to Basic 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 basic financial statements can be found on pages 23-43 of this report.

Required Supplementary Information Other Than the MD&A

The required supplementary information other than the MD&A found immediately following the notes to the financial statements include the pension schedules and the schedule of revenues, expenditures, and changes in fund balance – budget and actual for the General Fund and Major Special Revenue Funds. Notes to the required supplementary information follow the budgetary comparison schedules.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets exceeded liabilities by \$74.5 million at the close of the most recent fiscal year.

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, buildings, furniture, equipment, and vehicles), net of accumulated depreciation and any outstanding debt attributable to acquire capital assets. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligation to citizens and creditors.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Net Position

A summary of the District's statement of net position is as follows:

**Table A-1
Statement of Net Position
June 30, 2021 and 2020**

	Governmental Activities	
	2021	2020
Current and Other Assets	\$ 30,907,467	\$ 25,226,442
Capital Assets	73,948,144	76,252,461
Total Assets	<u>104,855,611</u>	<u>101,478,903</u>
Deferred Outflows of Resources	4,898,848	3,382,022
Other Liabilities	2,287,024	2,118,277
Net Pension and OPEB Liability	25,262,202	22,534,525
Long-Term Liabilities	6,411,896	8,258,303
Total Liabilities	<u>33,961,122</u>	<u>32,911,105</u>
Deferred Inflows of Resources	<u>1,283,546</u>	<u>1,887,104</u>
Net Position:		
Net Investment in Capital Assets	68,382,781	69,074,933
Restricted	4,829,182	4,410,243
Unrestricted	1,297,828	(3,422,460)
Total Net Position	<u>\$ 74,509,791</u>	<u>\$ 70,062,716</u>

At the end of the current fiscal year, the District was able to report positive balances in net investment of capital assets, restricted net position and unrestricted net position. The net investment in capital assets decreased due to depreciation expense on capital assets exceeding current year capital asset additions, net of a reduction of associated long-term debt.

Restricted net position had a slight increase due to food service revenues exceeding expenditures as a result of the District receiving federal funding to provide free meals to students and a decrease in part-time costs.

Unrestricted net position increased due to a decrease in the current year pension expense over the prior year and a reduction in costs due to the impacts of COVID-19.

Overall, net position of the District increased \$4.4 million. Key elements of this decrease are presented in the following condensed statement of changes in net position for the fiscal years ended June 30, 2021 and 2020:

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

**Table A-2
Changes in Net Position
Years Ended June 30, 2021 and 2020**

	Governmental Activities		
	2021	2020	Percent Change
REVENUES			
Program Revenues:			
Charges for Services	\$ 313,070	\$ 667,272	(53.1)%
Operating Grants and Contributions	7,612,606	6,259,785	21.6
Capital Grants and Contributions	1,388,212	286,432	384.7
General Revenues:			
Property Taxes	135,432	379,187	(64.3)
Grants and Contributions Not Restricted to Specific Programs:			
State Equalization and Additional State Aid	11,219,744	11,870,284	(5.5)
County Equalization	590,759	624,192	(5.4)
Federal Aid Not Restricted	14,829,750	14,022,951	5.8
Investment Earnings	186,890	254,274	(26.5)
Other	58,691	67,270	100.0
Total Revenues	36,335,154	34,431,647	5.5
EXPENSES			
Instruction	16,543,274	19,569,890	(15.5)
Support Services:			
Students and Staff	4,431,038	4,928,172	(10.1)
Administration	3,070,593	3,341,038	(8.1)
Operation and Maintenance of Plant	5,704,405	5,866,746	(2.8)
Student Transportation	1,505,948	1,951,759	(22.8)
Operation of Noninstructional Services	216,833	659,312	(67.1)
Interest on Long-Term Debt	415,988	468,909	(11.3)
Total Expenses	31,888,079	36,785,826	(13.3)
CHANGE IN NET POSITION	4,447,075	(2,354,179)	(288.9)
Net Position - Beginning of Year (As Restated)	70,062,716	72,416,895	(3.3)
NET POSITION - END OF YEAR	\$ 74,509,791	\$ 70,062,716	6.3

Program revenues, which consist of charges for services and operating grants and contributions, increased from the prior year by \$2.1 million. Charges for services decreased 53.1% due to the COVID-19 pandemic. Operating grants and contributions and capital grants and contributions increased 21.6% and 384.7%, respectively, due to Enrollment Stabilization Grant and Elementary and Secondary School Emergency Relief Fund passed through from the Arizona Department of Education (ADE) and reimbursement for capital projects from the Arizona School Facilities Board (SFB) for building renewal projects.

District expenses decreased by \$4.9 million or 13.3%. The decrease was largely due to a \$3.0 million decrease in instruction expense due to a decrease in pension expense and a reduction in instruction costs due to COVID-19.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$24.2 million, an increase of \$3.3 million in comparison with the prior year. Approximately 78.5% of this total amount (\$19.0 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance is either restricted or no spendable to indicate that is not available for new spending.

At fiscal year-end 2020-21, fund balances were as follows:

**Table A-3
Fund Balances**

Fund	Balance	Increase (Decrease) from 2019-20
General Fund	\$ 21,186,840	\$ 4,491,522
Special Projects Fund	174,762	85,937
Impact Aid Debt Service Fund	1,889,395	(85,832)
Building Renewal Fund	(1,453,041)	(1,388,212)
Nonmajor Governmental Funds	2,423,124	189,067

The General Fund increase of \$4.5 million was largely due to the impacts of COVID-19. Revenues remained relatively unchanged over the prior fiscal year, with the exception of certain charges for services due to the postponement or cancellation of auxiliary events due to COVID-19. COVID-19 also impacted instructional expenditures, operation of plant, and student transportation. The District experienced decreased enrollment and remote learning, which decreased related instruction costs. Transportation expenses were more than half of the prior year expenses due to remote learning and operation and maintenance of plant was reduced due to decreased project in FY21.

The changes in the Special Projects Fund and the Impact Aid Debt Service Fund were not significant.

The large decrease in the Building Renewal Fund was due to building renewal project expenditures incurred, but funding being received more than sixty days after fiscal year-end and recorded as a deferred inflow of resources.

The Nonmajor Governmental Funds increase of \$0.2 million was mainly due to an increase in food service revenue as all meals were provided free through federal funding, offset by a decrease in the debt service fund for property tax adjustments in FY21.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$0.7 million. In Arizona, school districts build their original "adopted" budget based on the previous year's 100th day average daily attendance. In May, the district is allowed to increase or decrease its budget for student growth since the previous year's 100th day. Regular education instruction accounted for the \$0.7 million increase in the budget. The most significant variances in budget to actual were in regular education instruction, support services for students and school administration. Actual expenditures falling below budget was as a result of the reduced expenditures due to a decline in student enrollment.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2021, amounts to \$73.9 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and building improvements, furniture, equipment, and vehicles. The total net decrease in the District's investment in capital assets for the current fiscal year was \$2.3 million or 3.0%.

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

- ◆ Depreciation expense of \$4.1 million.
- ◆ Completion of \$1.4 million in construction in progress related to the administrative building.
- ◆ \$0.5 million in instructional equipment.

**Table A-4
Capital Assets (Net)**

	Governmental Activities	
	2021	2020
Land	\$ 261,580	\$ 261,580
Construction in Progress	-	59,560
Land Improvements	492,098	605,697
Buildings and Building Improvements	70,400,241	72,230,838
Furniture, Equipment, and Vehicles	2,794,225	3,094,786
Total Capital Assets, Net	<u>\$ 73,948,144</u>	<u>\$ 76,252,461</u>

Additional information on the District's capital assets can be found in Note 3.A.3 of this report.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2021**

Debt Administration

At the end of the current fiscal year, the District had total debt outstanding of \$5.7 million.

**Table A-5
Outstanding Debt**

	Governmental Activities	
	2021	2020
General Obligation Bonds	\$ 325,000	\$ 630,000
Impact Aid Revenue Bonds	4,960,000	6,230,000
Capital Leases	462,134	681,070
Total	<u>\$ 5,747,134</u>	<u>\$ 7,541,070</u>

The District's bonded debt and capital leases decreased by \$1.8 million during the current fiscal year. The decrease was due to regularly scheduled principal payments.

The District has outstanding Quality School Construction Refunding Bonds of \$5.0 million secured by Impact Aid revenues. Additionally, the District has \$0.3 million of outstanding class B general obligation bonds.

State statutes limit the amount of Class B bonded debt a unified school district may issue to the greater of 20% of its net assessed valuation or \$1,500 per student count. The District's current outstanding class B general obligation bonded debt was less than the legal debt limit.

Additional information on the District's long-term debt can be found in Note 3.C of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- ◆ Steady interest rates and decreased assessed value.
- ◆ Continued funding of ADE grants.

These are some of the factors considered in preparing the District's budget for the 2021-22 fiscal year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Window Rock Unified School District No. 8, P.O. Box 559, Fort Defiance, Arizona 86054-0559.

BASIC FINANCIAL STATEMENTS

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION
JUNE 30, 2021

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 21,419,098
Restricted Cash and Investments	3,241,942
Receivables:	
Accounts Receivable	5,569
Property Tax Receivable	23,891
Intergovernmental Receivables	5,569,953
Prepays	513,818
Net OPEB Asset	101,718
Inventory	31,478
Capital Assets:	
Nondepreciable	261,580
Depreciable, Net	<u>73,686,564</u>
Total Assets	<u>104,855,611</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Amount on Refunding	181,771
Deferred Outflows of Resources Related to Pensions	4,436,376
Deferred Outflows of Resources Related to OPEB	<u>280,701</u>
Total Deferred Outflows of Resources	<u>4,898,848</u>
LIABILITIES	
Accounts Payable	689,371
Deposits Payable	41,670
Accrued Interest	82,548
Claims Payable	143,612
Unearned Revenue	59,823
Matured Debt Principal Payable	1,270,000
Long-Term Liabilities:	
Due Within One Year	2,332,405
Due in More Than One Year	
Bonds, Leases and Compensated Absences Payable	4,079,491
Net Pension Liability	25,152,909
Net OPEB Liability	<u>109,293</u>
Total Liabilities	<u>33,961,122</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	1,074,252
Deferred Inflows of Resources Related to OPEB	<u>209,294</u>
Total Deferred Inflows of Resources	<u>1,283,546</u>
NET POSITION	
Net Investment in Capital Assets	68,382,781
Restricted for:	
OPEB Benefits	101,718
Classroom Site	41,892
Instructional Improvements	801,072
Special Projects	391,055
Food Service	439,128
Debt Service	1,696,482
Capital Projects	922,299
Other Special Revenue	435,536
Unrestricted	<u>1,297,828</u>
Total Net Position	<u>\$ 74,509,791</u>

See accompanying Notes to Financial Statements.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Total Government Activities</u>
Primary Government					
Governmental Activities:					
Instruction	\$ 16,543,274	\$ -	\$ 3,495,495	\$ 1,388,212	\$ (11,659,567)
Support Services:					
Students	2,392,271	-	391,673	-	(2,000,598)
Instructional Staff	2,038,767	-	1,160,644	-	(878,123)
General Administration	512,126	-	112,305	-	(399,821)
School Administration	1,146,337	-	10,449	-	(1,135,888)
Central Services	1,412,130	-	162,240	-	(1,249,890)
Operation and Maintenance of Plant	5,704,405	-	386,802	-	(5,317,603)
Student Transportation	1,505,948	-	601,864	-	(904,084)
Operation of Noninstructional Services	216,833	313,070	1,291,134	-	1,387,371
Interest on Long-Term Debt	415,988	-	-	-	(415,988)
Total	<u>\$ 31,888,079</u>	<u>\$ 313,070</u>	<u>\$ 7,612,606</u>	<u>\$ 1,388,212</u>	<u>(22,574,191)</u>
GENERAL REVENUES					
Property Taxes					135,432
Grants and Contributions Not Restricted to Specific Programs:					
State Equalization and Additional State Aid					11,219,744
County Equalization					590,759
Federal Aid Not Restricted					14,829,750
Investment Earnings					186,890
Other					58,691
Total General Revenues					<u>27,021,266</u>
CHANGE IN NET POSITION					4,447,075
Net Position - Beginning of Year, As Restated					<u>70,062,716</u>
NET POSITION - END OF YEAR					<u>\$ 74,509,791</u>

See accompanying Notes to Financial Statements.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2021

	General Fund	Special Projects Fund	Impact Aid Debt Service Fund
ASSETS			
Cash and Investments	\$ 15,981,469	\$ -	\$ 1
Cash with Paying Agent	-	-	3,241,942
Restricted Cash and Investments	-	-	-
Receivables:			
Accounts Receivable	5,569	-	-
Property Tax Receivable	-	-	-
Intergovernmental Receivables	2,972,128	1,070,258	-
Prepays	513,818	-	-
Inventories	-	-	-
Due from Other Funds	1,940,189	-	-
Total Assets	\$ 21,413,173	\$ 1,070,258	\$ 3,241,943
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE			
LIABILITIES			
Accounts Payable	\$ 184,663	\$ 223,953	\$ -
Accrued Interest	-	-	82,548
Unearned Revenue	-	59,823	-
Deposits Payable	41,670	-	-
Due to Other Funds	-	395,427	-
Matured Debt Principal Payable	-	-	1,270,000
Total Liabilities	226,333	679,203	1,352,548
 DEFERRED INFLOWS OF RESOURCES			
Unavailable Revenue	-	216,293	-
 FUND BALANCE			
Nonspendable	513,818	-	-
Restricted	-	174,762	1,889,395
Unassigned	20,673,022	-	-
Total Fund Balance	21,186,840	174,762	1,889,395
 Total Liabilities, Deferred Inflows of Resources, and Fund Balance	 \$ 21,413,173	 \$ 1,070,258	 \$ 3,241,943

See accompanying Notes to Financial Statements.

Building Renewal Fund	Nonmajor Governmental Funds	Totals
\$ -	\$ 2,606,423	\$ 18,587,893
-	-	3,241,942
-	83,172	83,172
-	-	5,569
-	23,891	23,891
1,453,040	74,527	5,569,953
-	-	513,818
-	31,478	31,478
-	-	1,940,189
<u>\$ 1,453,040</u>	<u>\$ 2,819,491</u>	<u>\$ 29,997,905</u>
\$ 125,083	\$ 155,672	\$ 689,371
-	-	82,548
-	-	59,823
-	-	41,670
1,327,958	216,804	1,940,189
-	-	1,270,000
<u>1,453,041</u>	<u>372,476</u>	<u>4,083,601</u>
1,453,040	23,891	1,693,224
-	-	513,818
-	2,639,928	4,704,085
<u>(1,453,041)</u>	<u>(216,804)</u>	<u>19,003,177</u>
<u>(1,453,041)</u>	<u>2,423,124</u>	<u>24,221,080</u>
<u>\$ 1,453,040</u>	<u>\$ 2,819,491</u>	<u>\$ 29,997,905</u>

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**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2021**

Total Fund Balances for Governmental Funds	\$ 24,221,080
Total net position reported for governmental activities in the statement of net position is different because:	
Property taxes, amounts due from other districts and grant revenues not collected within 60 days subsequent to fiscal year-end are unavailable in the governmental funds.	1,693,224
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the governmental funds.	
Governmental Capital Assets	174,875,294
Less: Accumulated Depreciation	(100,927,150)
Capital Assets Used in Governmental Activities	73,948,144
Net OPEB assets are not current resources and therefore are not reported in the governmental funds.	101,718
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the funds.	
Deferred Outflows of Resources Related to Pensions	4,436,376
Deferred Inflows of Resources Related to Pensions	(1,074,252)
Deferred Outflows of Resources Related to OPEB	280,701
Deferred Inflows of Resources Related to OPEB	(209,294)
The internal service fund is used by management to charge the cost of insurance services to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	2,604,421
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
General Obligation Bonds	(325,000)
Amounts Payable Under Capital Leases	(462,134)
Net Pension Liability	(25,152,909)
Net OPEB Liability	(109,293)
Impact Aid Refunding Bonds	(4,960,000)
Deferred Amount on Refunding	181,771
Compensated Absence Payable	(664,762)
Total Net Position of Governmental Activities	\$ 74,509,791

See accompanying Notes to Financial Statements.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2021

	General Fund	Special Projects Fund	Impact Aid Debt Service Fund
REVENUES			
Property Taxes	\$ -	\$ -	\$ -
Intergovernmental	26,640,253	5,010,333	-
Charges for Services	297,913	-	-
Food Service Sales	-	-	-
Auxiliary Operations	13,849	-	-
Contributions and Donations	-	-	-
Investment Earnings	164,600	4,140	815
Other	68,344	3,100	-
Total Revenues	<u>27,184,959</u>	<u>5,017,573</u>	<u>815</u>
EXPENDITURES			
Current:			
Instruction	10,009,870	2,146,069	-
Support Services:			
Students	1,962,754	384,950	-
Instructional Staff	820,711	1,140,721	-
General Administration	416,521	110,377	-
School Administration	1,114,620	10,270	-
Central Services	1,235,683	159,455	-
Operation and Maintenance of Plant	4,788,402	380,162	-
Student Transportation	755,840	591,533	-
Operation of Noninstructional Services	-	792	-
Debt Service:			
Principal Retirement	218,936	-	1,270,000
Interest on Long-Term Debt	24,859	-	169,195
Capital Outlay:			
Facilities Acquisition	-	-	-
Total Expenditures	<u>21,348,196</u>	<u>4,924,329</u>	<u>1,439,195</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	5,836,763	93,244	(1,438,380)
OTHER FINANCING SOURCES (USES)			
Transfers In	7,307	-	1,352,548
Transfers Out	(1,352,548)	(7,307)	-
Total Other Financing Sources (Uses)	<u>(1,345,241)</u>	<u>(7,307)</u>	<u>1,352,548</u>
NET CHANGE IN FUND BALANCE	4,491,522	85,937	(85,832)
Fund Balance - Beginning of Year, As Restated	16,695,318	88,825	1,975,227
Change in Inventories	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ 21,186,840</u>	<u>\$ 174,762</u>	<u>\$ 1,889,395</u>

See accompanying Notes to Financial Statements.

Building Renewal Fund	Nonmajor Governmental Funds	Totals
\$ -	\$ 129,398	\$ 129,398
-	2,529,436	34,180,022
-	75	297,988
-	1,233	1,233
-	-	13,849
-	13,000	13,000
-	17,335	186,890
-	64,511	135,955
-	<u>2,754,988</u>	<u>34,958,335</u>
-	1,169,974	13,325,913
-	18,351	2,366,055
-	-	1,961,432
-	-	526,898
-	-	1,124,890
-	-	1,395,138
82,351	36,191	5,287,106
-	-	1,347,373
-	999,049	999,841
-	305,000	1,793,936
-	40,163	234,217
<u>1,305,861</u>	<u>-</u>	<u>1,305,861</u>
<u>1,388,212</u>	<u>2,568,728</u>	<u>31,668,660</u>
(1,388,212)	186,260	3,289,675
-	-	1,359,855
-	-	<u>(1,359,855)</u>
-	-	-
(1,388,212)	186,260	3,289,675
(64,829)	2,234,057	20,928,598
-	2,807	2,807
<u>(1,453,041)</u>	<u>\$ 2,423,124</u>	<u>\$ 24,221,080</u>

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2021**

Net Change in Fund Balances - Total Governmental Funds \$ 3,289,675

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

Expenditures for Capital Assets	1,818,354
Less: Current Year Depreciation	(4,122,671)
Excess Depreciation over Capital Expenditures	(2,304,317)

Some revenues reported in the statement of activities do not provide current financial resources and, therefore, are not reported as revenues in the governmental funds.

Property Taxes	6,034
Due from Other Districts and Grants-in-Aid	1,461,049

Governmental funds report District pension/OPEB contributions as expenditures when made. However, in the Statement of Activities, pension/OPEB expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions, and the investment experience.

Pension Contributions	1,782,796
Pension Expense	(2,168,189)
OPEB Contributions	85,534
OPEB Expense	(66,106)

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

Amortization of Deferred Amounts from Refunding	(181,771)
Principal Payments on Long-Term Debt	1,793,936

The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The change in net position of the Internal Service Fund is reported with governmental activities in the statement of activities.

693,156

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

Change in Compensated Absences	52,471
Change in Inventory Balance	2,807

Change in Net Position of Governmental Activities **\$ 4,447,075**

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF NET POSITION —
PROPRIETARY FUNDS
JUNE 30, 2021

	Governmental Activities: <u>Internal Service</u>
ASSETS	
Current:	
Cash and Cash Equivalents	\$ 2,748,033
LIABILITIES	
Current:	
Claims Payable	<u>143,612</u>
NET POSITION	
Unrestricted	<u><u>\$ 2,604,421</u></u>

See accompanying Notes to Financial Statements.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN FUND NET POSITION —
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021

	Governmental Activities: Internal Service Funds
OPERATING REVENUES	
Contributions	\$ 2,404,841
OPERATING EXPENSES	
Insurance Claims	1,258,708
Insurance Premiums and Administrative Charges	452,977
Total Operating Expenses	1,711,685
OPERATING INCOME	693,156
Total Net Position - Beginning of Year	1,911,265
TOTAL NET POSITION - END OF YEAR	\$ 2,604,421

See accompanying Notes to Financial Statements.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
STATEMENT OF CASH FLOWS —
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2021**

	Governmental Activities: Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Contributions	\$ 2,404,841
Cash Payments for Claims, Premiums, and Administrative Fees	(1,926,853)
Net Cash Provided by Operating Activities	<u>477,988</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	477,988
Cash and Cash Equivalents - Beginning of Year	<u>2,270,045</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 2,748,033</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income	\$ 693,156
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Decrease in Claims Payable	(215,168)
Net Cash Provided by Operating Activities	<u><u>\$ 477,988</u></u>

See accompanying Notes to Financial Statements.

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NOTES TO BASIC FINANCIAL STATEMENTS

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WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Window Rock Unified School District No. 8 (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

A. Reporting Entity

The District is a special purpose government that is governed by a separately elected governing body. It is legally separate from and fiscally independent of other state and local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and it is not included in any other governmental reporting entity. Consequently, the District's financial statements present only the funds of those organizational entities for which its elected governing board is financially accountable.

B. Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund 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. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus and the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due. However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund.

Intergovernmental grants and aid, tuition, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes and all other revenue items are considered to be measurable and available only when cash is received by the government or within 60 days of the fiscal year end.

The District reports the following major governmental funds:

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. It is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within four subsections titled regular education programs, special education programs, pupil transportation, and K-3 Reading Program.

Special Projects Fund

The Special Projects Fund, a special revenue fund, accounts for the revenues and expenditures of state and federally funded projects.

Impact Aid Debt Service Fund

The Impact Aid Debt Service Fund, accounts for activity related to the repayment of Impact Aid Revenue Bonds. The revenue bonds are funded through transfers of impact aid revenues from the General Fund dedicated for the repayment of the debt.

Building Renewal Fund

The Building Renewal Fund, a capital projects fund, accounts for activity related to the grants received from the Arizona School Facilities Board for activity related to school building repairs and improvements.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Additionally, the District reports the following fund types:

Proprietary Fund

The Proprietary Fund is an Internal Service Fund that accounts for activities related to the District's self-insurance program.

The proprietary fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal service funds are charges for health and welfare benefits. Operating expenses for internal service funds include the cost of goods and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Interfund services provided and used are not eliminated in the process of consolidation.

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

1. Deposits and Investments

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and cash and investments held by the County Treasurer.

A.R.S. requires the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Debt Service Fund, which is invested separately.

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

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

2. Restricted Cash and Investments

Restricted cash and investments represent cash held by a trustee for impact aid required debt service reserves and the accumulation of funds held to make debt service principal and interest payments.

3. Property Tax Receivables

Apache County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessed attaches on the first day of January preceding assessment and levy thereof.

4. Intergovernmental Receivables

Intergovernmental receivables are comprised of federal and state grants and aid (\$2,597,825), and state and county equalization (\$2,972,128) at June 30, 2021.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

5. Short-Term Interfund Receivables/Payables

During the course of operations, individual funds within the District's pooled cash accounts may borrow money from the other funds within the pool on a short-term basis. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet of the fund financial statements and are eliminated in the preparation of the government-wide financial statements.

6. Prepays and Inventories

Prepays are initially recognized as an asset on the statement of net position and/or balance sheet of the government-wide and fund financial statements, respectively and are expensed when the goods and/or services are consumed or received.

Inventories consist of expendable supplies held for consumption. Inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenses when consumed rather than when purchased in the government-wide statements and are recorded as an expenditure at the time of purchase in the fund financial statements.

7. Capital Assets

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

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

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

Land Improvements	5 to 50 Years
Buildings and Improvements	5 to 50 Years
Furniture, Equipment, and Vehicles	5 to 15 Years

8. Deferred Outflows of Resources

The District recognizes the consumption of net position that is applicable to a future reporting period as deferred outflows of resources. Reported amounts are related to the reacquisition cost of the refunding impact aid bonds and the requirements of accounting and financial reporting for pensions/OPEB.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

9. Compensated Absences

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

10. Long-Term Obligations

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

11. Pension Plans

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

12. Deferred Inflows of Resources

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

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

13. Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. Net investment in capital assets is separately reported because the District reports all District assets, net of accumulated depreciation and any outstanding debt attributable to the acquisition of capital assets, which make up a significant portion of total net position. Restricted net position accounts for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

14. 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, committed, assigned, and unassigned fund balance classifications.

The nonspendable fund balance classification includes amounts that cannot be spent because they are either not in spendable form such as inventories, or are legally or contractually required to be maintained intact. Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations.

Committed fund balances are self-imposed limitations approved, through formal resolution, by the District's governing board, which is the highest level of decision-making authority within the District. Only the District's governing board, through formal resolution, can remove or change the constraints placed on committed fund balances.

Assigned fund balances are resources constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The District's governing board has appointed the Business Manager to make assignments of resources for a specific purpose.

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

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

14. Fund Balance Classifications (Continued)

The table represents the fund balance classification as of June 30, 2021.

	General Fund	Special Projects Fund	Impact Aid Debt Service Fund	Building Renewal Fund	Nonmajor Governmental Funds	Total
Fund Balances:						
Nonspendable:						
Prepaid Items	\$ 513,818	\$ -	\$ -	\$ -	\$ -	\$ 513,818
Restricted for:						
Food Service	-	-	-	-	439,128	439,128
Debt Service	-	-	1,889,395	-	-	1,889,395
Capital Outlay	-	-	-	-	922,300	922,300
Classroom Site Fund	-	-	-	-	41,892	41,892
Instructional Improvement Programs	-	-	-	-	801,072	801,072
Federal and State Instructional Programs	-	174,762	-	-	-	174,762
Civic Center	-	-	-	-	253,812	253,812
Extracurricular Activities	-	-	-	-	13,236	13,236
Noninstructional Programs	-	-	-	-	168,488	168,488
Total Restricted	-	174,762	1,889,395	-	2,639,928	4,704,085
Unassigned	20,673,022	-	-	(1,453,041)	(216,804)	19,003,177
Total Fund Balances	<u>\$ 21,186,840</u>	<u>\$ 174,762</u>	<u>\$ 1,889,395</u>	<u>\$ (1,453,041)</u>	<u>\$ 2,423,124</u>	<u>\$ 24,221,080</u>

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

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

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

A budget of revenue from all sources for the fiscal year is not prepared by the District.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)

B. Deficit Fund Balance

The District reported a deficit fund balance in the Nonmajor Debt Service and Building Renewal Fund in the amount of \$216,804 and \$1,453,041 at June 30, 2021. The deficit in the Debt Service Fund was due to adjudicated prior year tax levies, resulting in collections being less than the levy. A portion of the deficit was recovered in fiscal year 2021-22 through an adjusted property tax levy to property taxpayers, with the remainder to be collected in fiscal year 2022-23. The deficit in the Building Renewal Fund was due to revenues that were received more than 60 days after fiscal year-end reported as deferred inflows of resources.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

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

Deposits:	
Cash in Bank	\$ 2,876,052
Cash on Deposit with Paying Agent	3,241,942
Investments:	
Cash on Deposit with County Treasurer	<u>18,543,046</u>
Total Deposits and Investments	24,661,040
Less: Cash on Deposit with Paying Agent	<u>(3,241,942)</u>
Total Cash and Investments	<u><u>\$ 21,419,098</u></u>

Deposits

The carrying amount of the District's deposits at June 30, 2021, was \$2,876,052 and the bank balance was \$2,881,927. Of the bank balance, \$750,000 was covered by federal depository insurance and \$2,131,927 was collateralized through the Arizona State Treasurer's pooled collateral program.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

1. Deposits and Investments (Continued)

Deposits (Continued)

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

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of Bond Building and Debt Service Funds monies in interest bearing savings accounts and certificates of deposit at 102% of all deposits not covered by federal depository insurance.

The cash on deposit with the paying agent is held in the District's name and is insured or collateralized by securities held by the paying agent.

Investments

At June 30, 2021, the District's investments were reported at fair value. The District's investments consisted of only cash on deposit with the County Treasurer.

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

Interest Rate Risk – The District does not have a formal investment policy regarding interest rate risk; however, the District manages its exposure to declines in fair value by limiting the average maturity of its investment portfolio to one year or less.

Credit Risk – The District does not have a formal investment policy regarding credit risk. However, the District is prohibited by state law from investing in investments other than state and County Treasurer's investment pools, U.S. Treasury obligations, specified state and local government bonds and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements. The District's cash on deposit with the County Treasurer did not receive a quality credit rating from a national credit rating agency.

Concentration of Credit Risk – The District does not have a formal investment policy that addresses concentration of credit risk.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

2. Receivables

The Apache County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies the property taxes due to the District in August. Two equal installments, payable in October and March, become delinquent after the first business days in November and May. During the year, the County also levies various personal property taxes that are due the second Monday of the month following receipt of the tax notice and become delinquent 30 days later. A lien assessed against real and personal property attaches on the first day of January preceding the assessment levy.

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as unavailable revenues.

Governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report unearned revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Delinquent Property Taxes Receivable:		
Nonmajor Governmental Funds	\$ 23,891	\$ -
Grant Revenues:		
Special Projects Fund	216,293	59,823
Nonmajor Governmental Funds	1,453,040	-
Total	\$ 1,693,224	\$ 59,823

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Assets (Continued)

3. Capital Assets

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases/ Transfers in</u>	<u>Decreases/ Transfers out</u>	<u>Ending Balance</u>
Capital Assets, Not Being Depreciated:				
Land	\$ 261,580	\$ -	\$ -	\$ 261,580
Construction in Progress	59,560	1,358,090	(1,417,650)	-
Total Capital Assets, Not Being Depreciated	321,140	1,358,090	(1,417,650)	261,580
Capital Assets, Being Depreciated:				
Land Improvements	9,083,251	-	-	9,083,251
Buildings and Building Improvements	151,811,217	1,417,650	-	153,228,867
Furniture, Equipment, and Vehicles	11,841,332	460,264	-	12,301,596
Total Capital Assets, Being Depreciated	172,735,800	1,877,914	-	174,613,714
Accumulated Depreciation for:				
Land Improvements	(8,477,554)	(113,599)	-	(8,591,153)
Buildings and Building Improvements	(79,580,379)	(3,248,247)	-	(82,828,626)
Furniture, Equipment, and Vehicles	(8,746,546)	(760,825)	-	(9,507,371)
Total Accumulated Depreciation	(96,804,479)	(4,122,671)	-	(100,927,150)
Total Capital Assets, Being Depreciated, Net	75,931,321	(2,244,757)	-	73,686,564
Governmental Activities Capital Assets, Net	<u>\$ 76,252,461</u>	<u>\$ (886,667)</u>	<u>\$ (1,417,650)</u>	<u>\$ 73,948,144</u>

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:

Instruction	\$ 3,323,248
Support Services:	
Students	29,824
Instructional Staff	50,038
General Administration	21,772
School Administration	2,148
Operation and Maintenance of Plant	8,890
Central Services	535,198
Student Transportation	129,733
Operation of Noninstructional Services	21,820
Total	<u>\$ 4,122,671</u>

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Interfund Receivables, Payables, and Transfers

As of June 30, 2021 interfund receivable and payables were as follows:

<u>Due From</u>	<u>Due To</u> <u>General</u> <u>Fund</u>
Special Projects Fund	\$ 395,427
Building Renewal Fund	1,327,958
Nonmajor Governmental Funds	216,804
Total	<u>\$ 1,940,189</u>

The interfund receivables and payables were recorded to eliminate deficit cash balances at year-end. Cash was received subsequent to year-end to cover the deficit.

Interfund transfers for the year ended June 30, 2021 consisted of the following:

<u>Transfers In</u>	<u>Transfers Out</u>		<u>Total</u>
	<u>General Fund</u>	<u>Special</u> <u>Projects Fund</u>	
General Fund	\$ -	\$ 7,307	\$ 7,307
Impact Aid Debt Service Fund	1,352,548	-	1,352,548
Totals	<u>\$ 1,352,548</u>	<u>\$ 7,307</u>	<u>\$ 1,359,855</u>

Transfer from the Special Projects Fund to the General Fund was recorded to recognize the indirect cost rate on federal grants. The transfer from the General Fund to the Impact Aid Debt Service Fund was required to make debt payments on outstanding bonds.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations

The District issued long-term bonds payable to provide funds for the acquisition and construction of major capital facilities. The principal and interest paid on the bonds are recorded in the Debt Service Fund and Impact Aid Debt Service Fund. Compensated absences are paid by the applicable fund where each employee is regularly paid, primarily the General Fund.

General obligation bonds and bonds from direct placements currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Remaining Maturities</u>	<u>Amount Outstanding</u>
<u>General Obligation Bonds</u>				
School Improvement Bonds, Project of 2004, Series A	6.375%	\$ 3,245,000	7/1/21-22	\$ 325,000
<u>Bonds from Direct Placements</u>				
Impact Aid Refunding Bonds, Project 2019	2.650%	7,375,000	7/1/21-24	4,960,000
Total Bonds Payable				<u>\$ 5,285,000</u>

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

<u>Governmental Activities</u>	<u>July 1, 2020</u>	<u>Additions</u>	<u>Retirements</u>	<u>June 30, 2021</u>	<u>Due Within One Year</u>
Bonds Payable:					
School Improvement Bonds	\$ 630,000	\$ -	\$ (305,000)	\$ 325,000	\$ 325,000
Bonds from Direct Placements:					
Impact Aid Refunding and Defeasance	6,230,000	-	(1,270,000)	4,960,000	1,365,000
Capital Leases	681,070	-	(218,936)	462,134	226,927
Total Bonds and Capital Leases Payable	<u>7,541,070</u>	<u>-</u>	<u>(1,793,936)</u>	<u>5,747,134</u>	<u>1,916,927</u>
Other Liabilities:					
Compensated Absences	717,233	357,945	(410,416)	664,762	415,478
Long-Term Liabilities	<u>\$ 8,258,303</u>	<u>\$ 357,945</u>	<u>\$ (2,204,352)</u>	<u>\$ 6,411,896</u>	<u>\$ 2,332,405</u>

Debt service requirements on general obligation bonds at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	<u>\$ 325,000</u>	<u>\$ 20,718</u>

Debt service requirements on bonds from direct placements at June 30, 2021 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ 1,365,000	\$ 131,440
2023	1,775,000	95,268
2024	1,820,000	48,320
Total	<u>\$ 4,960,000</u>	<u>\$ 275,028</u>

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Long-Term Obligations (Continued)

In prior years the District issued debt to advance refund and defease debt with higher interest rates. The defeased debt has been removed from the District's financial statements and is no longer reported as a liability. The amount outstanding to be paid by the escrow agent at June 30, 2021 was \$4,960,000.

D. Capital Leases

The District has entered into lease agreements as a lessee for financing the acquisition of 10 buses. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of their future minimum lease payments as of inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Furniture, Equipment, and Vehicles	\$ 1,132,580
Less: Accumulated Depreciation	(465,044)
Total	\$ 667,536

The amortization expense for the capital lease is included in depreciation expense.

The future minimum lease payments under the capital leases, together with the present value of the net minimum lease payments as of June 30, 2021, were as follows:

	Governmental Activities Principal
<u>Year Ending June 30,</u>	
2022	\$ 243,795
2023	243,795
Subtotal	487,590
Less: Interest	(25,456)
Total	\$ 462,134

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 OTHER INFORMATION

A. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District's insurance protection is provided by the Arizona School Risk Retention Trust, of which the District is a participating member. The limit for basic coverage is \$10 million per occurrence on a claims made basis. Excess coverage is for an additional \$50 million per occurrence on a follow form, claims made basis. Claims have not exceeded coverage in any of the past three years and there have been no reductions in coverage.

The Arizona School Risk Retention Trust is structured such that member premiums are based on an actuarial review that will provide adequate reserves to allow the pool to meet its expected financial obligations. The pool has the authority to assess its member's additional premiums should reserves and annual premiums be insufficient to meet the pool's obligations.

The District is insured by Arizona School Alliance for Workers' Compensation for potential worker related accidents.

B. Claims Payable

The District established an Employee Benefits Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to employee health claims. Under this program, the Fund provides coverage for up to a maximum of \$125,000 for each claim. The fund purchases commercial insurance for claims in excess of this coverage.

The claims liability amount recorded in the financial statements is based on reported pending claims and an estimated amount for claims incurred, but not yet reported. At June 30, 2021, the total claims payable of \$143,612 included an estimated amount of claims incurred but not yet reported of \$97,623.

As of June 30, 2021, unpaid claims were as follows:

	2021	2020
Beginning Unpaid Claims	\$ 358,780	\$ 482,401
Claims Incurred and Changes in Estimate	1,258,708	1,708,012
Claims Paid	(1,473,876)	(1,831,633)
Ending Unpaid Claims	<u>\$ 143,612</u>	<u>\$ 358,780</u>

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Contingent Liabilities

Lawsuits

The District may periodically be a defendant in a lawsuit arising principally in the normal course of operations. The District utilizes the Arizona Risk Retention Trust's (ASRRT) prepaid legal service to handle legal action for the District. Additionally, as noted above the District is insured on any pending claims through the ASRRT insurance program. The District currently does not have any pending claims that would exceed the District's insurance policy.

D. Retirement Plans

Cost-Sharing and Agent Multiple Employer Pension Plans

The District contributes to the Arizona State Retirement System (ASRS). The plan is a component unit of the state of Arizona.

At June 30, 2021, the District reported the following amounts related to ASRS:

	Governmental Activities
Net Pension Liabilities	\$ 25,152,909
Deferred Outflows of Resources	4,436,376
Deferred Inflows of Resources	1,074,252
Pension Expense	2,168,189

The District's financial statements present an OPEB asset and liability as it relates to the District's health insurance premium benefit plan and long-term disability plan. These balances are not significant to the District's financial statements and are therefore omitted in this note.

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

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Arizona State Retirement System

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
Final Average Salary is Based on	Highest 36 consecutive months of last 120 months	Highest 60 consecutive months of last 120 months
Benefit Percentage Per Year of Service	2.1% to 2.3%	2.1% to 2.3%

* With actuarially reduced benefits

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.

Contributions – In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2021, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.04% of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 11.65% of the active members' annual covered payroll.

In addition, the District was required by statute to contribute at the actuarially determined rate of 10.14% of annual covered payroll of retired members who worked for the District in positions that would typically be filled by an employee who contributes to the ASRS. The District's contributions to the pension plan for the year ended June 30, 2021 were \$1,782,796.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

During the fiscal year ended June 30, 2021, the District paid for ASRS pension and OPEB contributions as follows: 80% from the General Fund, 14% from Special Projects funds, and 6% from other funds.

Pension Liability – At June 30, 2021, the District reported a liability of \$25,152,909 for its proportionate share of the ASRS’ net pension liability. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension 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 pension liability was based on the District’s actual contributions to the plan relative to the total of all participating employers’ contributions for the year ended June 30, 2020, and the change from its proportions measured as of June 30, 2019. The District’s proportion measured as of June 30, 2020, was 0.14517%, which was a decrease of 0.00901 from its proportion measured as of June 30, 2019.

Pension Expense and Deferred Outflows/Inflows of Resources – For the year ended June 30, 2021, the District recognized pension expense for ASRS of \$2,168,189. At June 30, 2021, 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	\$ 227,552	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,426,028	-
Changes in Proportion and Differences Between District Contributions and Proportionate Share of Contributions	-	1,074,252
District Contributions Subsequent to the Measurement Date	1,782,796	-
Total	\$ 4,436,376	\$ 1,074,252

The \$1,782,796 reported as deferred outflows of resources related to ASRS pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2022	\$ (367,812)
2023	319,262
2024	877,520
2025	750,358

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

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
Discount Rate	7.5%
Projected Salary Increases	2.7 - 7.2%
Inflation	2.3%
Permanent Benefit Increase	Included
Mortality Rates	2017 SRA Scale U-MP

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Geometric Real Rate of Return</u>
Equity	50 %	6.39 %
Fixed Income - Credit	20	5.44
Fixed Income - Interest Rate Sensitive	10	0.22
Real Estate	20	5.85
Total	<u>100 %</u>	

Discount Rate – The discount rate used to measure the ASRS total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Retirement Plans (Continued)

Arizona State Retirement System (Continued)

Sensitivity of the District's Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate – The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate.

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's Proportionate Share of the Net Pension Liability	\$ 34,396,262	\$ 25,152,909	\$ 17,425,941

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Contribution Payable – The Districts accrued payroll and employee benefits included \$-0- of outstanding pension contributions payable to ASRS for the year ended June 30, 2021.

NOTE 5 CHANGE IN ACCOUNTING PRINCIPLE

During the year ended June 30, 2021, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities. Previously, the Student Activities Fund was reported as a fiduciary fund. The fund no longer meets the definition of a fiduciary fund with the adoption of GASB Statement No. 84 and is now reported as a special revenue fund resulting in a restatement of fund balance of the nonmajor governmental funds of \$91,340 (beginning fund balance of the nonmajor governmental funds as previously reported was \$2,142,717 to the restated balance of \$2,234,057) and a restatement of net position from \$69,971,376 to \$70,062,716.

NOTE 6 SUBSEQUENT EVENTS

Subsequent to June 30, 2021, the District's governing board authorized the issuance of \$20,650,000 in Federal Impact Aid School Improvement Revenue Bonds for the renovation, repairs and improvements of school facilities. The bonds will require annual principal and semi-annual interest payments at a rate of 4.0% to 5.0% through July 1, 2042.

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REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MD&A

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION
LIABILITY AND PENSION CONTRIBUTIONS — COST SHARING PLANS
JUNE 30, 2021

Cost-Sharing Pension Plans

	June 30, (Measurement Date)			
	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)
District's Proportion of the Net Pension Liability	0.14517 %	0.15418 %	0.15802 %	0.15749 %
District's Proportionate Share of the Net Pension Liability	\$ 25,152,909	\$ 22,434,984	\$ 22,038,229	\$ 24,533,872
District's Covered Payroll	16,208,513	16,717,707	16,187,163	15,745,679
District's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	155.18%	134.20%	136.15%	155.81%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.33 %	73.24 %	73.24 %	69.92 %

Schedule of Pension Contributions

	June 30,			
	2021	2020	2019	2018
Statutorily Required Contribution	\$ 1,782,796	\$ 1,816,808	\$ 1,817,957	\$ 1,712,059
District's Contribution in Relation to the Statutorily Required Contribution	1,782,796	1,816,808	1,817,957	1,712,059
District's Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
District's Covered Payroll	\$ 15,274,511	\$ 16,208,513	\$ 16,717,707	\$ 16,187,163
District's Contributions as a Percentage of Covered Payroll	11.67%	11.21%	10.87%	10.58%

See accompanying Notes to Required Supplementary Information.

June 30,
(Measurement Date)

2017 (2016)	2016 (2015)	2015 (2014)
0.11192 %	0.11781 %	0.12726 %
\$ 18,065,012 10,462,618	\$ 18,350,346 10,890,820	\$ 18,829,514 11,442,523
172.66%	168.49%	164.56%
67.06 %	68.35 %	69.49 %

June 30,		
2017	2016	2015
\$ 1,655,934	\$ 1,137,047	\$ 1,181,654
1,655,934	1,137,047	1,181,654
\$ -	\$ -	\$ -
\$ 15,745,679	\$ 10,462,618	\$ 10,890,820
10.52%	10.87%	10.85%

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE —
BUDGET AND ACTUAL (BUDGETARY BASIS) — GENERAL FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 11,222,588	\$ 11,222,588
Investment Earnings (Loss)	-	-	(3,100)	(3,100)
Other	-	-	148	148
Total Revenues	-	-	11,219,636	11,219,636
EXPENDITURES				
Regular Education:				
Instruction	7,877,492	7,382,144	6,216,724	1,165,420
Support Services - Students	329,050	329,050	47,545	281,505
Support Services - Instructional Staff	82,427	82,427	183,589	(101,162)
Support Services - General Administration	340,233	340,233	288,560	51,673
Support Services - School Administration	858,502	858,502	601,359	257,143
Support Services - Central Services	666,061	666,061	542,480	123,581
Operation and Maintenance of Plant	1,696,961	1,512,351	1,329,483	182,868
Total Regular Education	11,850,726	11,170,768	9,209,740	1,961,028
Special Education:				
Instruction	2,299,731	2,299,731	1,703,619	596,112
Support Services - Students	600,678	600,678	724,485	(123,807)
Support Services - Instructional Staff	116,862	116,862	123,248	(6,386)
Support Services - School Administration	103,474	103,474	-	103,474
Total Special Education	3,120,745	3,120,745	2,551,352	569,393
Pupil Transportation:				
Student Transportation Services	1,057,705	1,057,705	440,928	616,777
K-3 Reading Program	85,020	85,020	85,629	(609)
Total Expenditures	16,114,196	15,434,238	12,287,649	3,146,589
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(16,114,196)	(15,434,238)	(1,068,013)	14,366,225
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	500,000	500,000
NET CHANGE IN FUND BALANCE				
	(16,114,196)	(15,434,238)	(568,013)	14,866,225
Fund Balance - Beginning of Year	-	-	1,308,796	1,308,796
FUND BALANCE - END OF YEAR	<u>\$ (16,114,196)</u>	<u>\$ (15,434,238)</u>	<u>\$ 740,783</u>	<u>\$ 16,175,021</u>

See accompanying Notes to Required Supplementary Information.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE —
BUDGET AND ACTUAL — SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 5,010,333	\$ 5,010,333
Investment Earnings	-	-	4,140	4,140
Other	-	-	3,100	3,100
Total Revenues	-	-	5,017,573	5,017,573
EXPENDITURES				
Current:				
Instruction	1,282,870	1,403,100	2,146,069	(742,969)
Support Services:				
Students	230,114	251,681	384,950	(133,269)
Instructional Staff	681,896	745,804	1,140,721	(394,917)
General Administration	65,981	72,165	110,377	(38,212)
School Administration	6,139	6,715	10,270	(3,555)
Central Services	95,318	104,252	159,455	(55,203)
Operation and Maintenance of Plant	227,252	248,550	380,162	(131,612)
Student Transportation	353,605	386,745	591,533	(204,788)
Operation of Noninstructional Services	473	518	792	(274)
Total Expenditures	2,943,648	3,219,530	4,924,329	(1,704,801)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,943,648)	(3,219,530)	93,244	3,312,774
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(7,307)	(7,307)
NET CHANGE IN FUND BALANCE	(2,943,648)	(3,219,530)	85,937	3,305,467
Fund Balance - Beginning of Year	-	-	88,825	88,825
FUND BALANCE - END OF YEAR	<u>\$ (2,943,648)</u>	<u>\$ (3,219,530)</u>	<u>\$ 174,762</u>	<u>\$ 3,394,292</u>

See accompanying Notes to Required Supplementary Information.

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2021**

NOTE 1 BUDGETARY BASIS OF ACCOUNTING

The District's adopted budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, with the following exceptions: the General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the District's Maintenance and Operation Fund in addition to several other District funds as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. However, for budgetary purposes, the District prepares a separate Maintenance and Operation Fund budget. Therefore, the following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis in order to present only the activity of the District's Maintenance and Operation Fund for budgetary purposes.

	General Fund				
	Total Revenues	Total Expenditures	Other Financing Sources/Uses	Beginning Fund Balance	Ending Fund Balance
Statement of Revenues, Expenditures, and Changes in Fund Balance	\$ 27,184,959	\$ 21,348,196	\$ (1,345,241)	\$ 16,695,318	\$ 21,186,840
Activities Budgeted in Separate Funds	(15,965,323)	(9,060,547)	1,845,241	(15,386,522)	(20,446,057)
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual	<u>\$ 11,219,636</u>	<u>\$ 12,287,649</u>	<u>\$ 500,000</u>	<u>\$ 1,308,796</u>	<u>\$ 740,783</u>

NOTE 2 AVAILABILITY OF PRIOR YEAR PENSION INFORMATION

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

SINGLE AUDIT ACT REPORTS SECTION

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Governing Board
Window Rock Unified School District No. 8
Fort Defiance, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Window Rock Unified School District No. 8 (the District), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated July 11, 2022.

Internal Control Over Financial Reporting

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

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

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 to 2021-004 that we consider to be material weaknesses.

Compliance and Other Matters

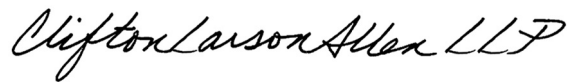
As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

District's Response to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Phoenix, Arizona
July 11, 2022



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Window Rock Unified School District No. 8
Fort Defiance, Arizona

We have audited Window Rock Unified School District No. 8 (the District)'s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2021. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



CliftonLarsonAllen LLP

Phoenix, Arizona
July 11, 2022

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2021**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

- | | |
|--|--|
| 1. Type of auditor’s report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| • Material weakness(es) identified? | <u> X </u> Yes <u> </u> No |
| • Were significant deficiency(ies) identified | <u> </u> Yes <u> X </u> None Reported |
| 3. Noncompliance material to basic financial statements noted? | <u> </u> Yes <u> X </u> No |

Federal Awards

- | | |
|--|--|
| 1. Internal control over major federal programs: | |
| • Material weakness(es) identified? | <u> </u> Yes <u> X </u> No |
| • Were significant deficiency(ies) identified? | <u> </u> Yes <u> X </u> None Reported |
| 2. Type of auditor’s report issued on compliance for major federal programs: | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) | <u> </u> Yes <u> X </u> No |

Identification of major federal programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster
21.019	COVID-19 Coronavirus Relief Fund
84.010	Title I – LEAs
84.041	Federal Impact Aid
84.425D	COVID-19 Elementary and Secondary School Emergency Relief

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

Auditee qualify as low-risk auditee? Yes X No

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS

2021-001: Oversight of the Financial Reporting Process

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

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

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

Criteria: The District should have controls in place to prevent and detect a material misstatement in the financial statements, including adequately reviewing the year-end financial statements to ensure balances are properly stated and for ensuring the financial statements include all required disclosures.

Effect: Adjusting journal entries were proposed and subsequently approved by management to properly state year-end balances in the government-wide financial statements.

Cause: The District has not established controls to ensure accounts are adjusted to their appropriate year-end balances in accordance with U.S. GAAP. The District relies on the audit firm to prepare the annual financial statements, related footnote disclosures, schedule of expenditures of federal awards and to verify balances are correct at year-end. However, management has reviewed and approved the annual financial statements, related footnote disclosures, and schedule of federal expenditures.

Repeat Finding: This finding is a repeat of a finding in the immediate prior year. Prior year finding numbers were 2020-001, 2019-001, 2018-001 and 2017-001.

Recommendation: We recommend the District continue to evaluate its internal control processes to determine if additional internal control procedures should be implemented to ensure accounts are properly stated at year-end in accordance with U.S. GAAP. Additionally, should the District elect to establish the "full oversight" of the financial statement preparation, we suggest management establish effective review policies and procedures, including, but not limited to, the following functions: review the adequacy of financial statement disclosures by completing a disclosure checklist; apply analytic procedures to the draft financial statements; and perform other procedures considered necessary by management.

Views of responsible officials: Management agrees with this recommendation.

Contact Person: Jeffery Walker, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2021-002: Material Audit Adjustments

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

Condition/Context: Material audit adjustments were necessary to properly accrue grant revenues, recognize grant revenues and expenditures paid on behalf of the District, properly record prepaid supplies, and record the activity of the self-insurance fund.

Criteria: Internal control procedures.

Effect: Internal control weakness that lead to material audit adjustments being proposed to properly record grant revenues in the Special Project Fund, record Impact Aid revenue in the General Fund, record revenues and expenditures in the General Fund for a grant paid on behalf of the District, correct the recording of building renewal revenue, record prepaid supplies, and record activity of the self-insurance fund.

Cause: Management oversight.

Repeat Finding: This finding is a repeat of a similar finding in the immediate prior year. Prior year finding numbers were 2020-002, 2019-002 and 2018-002.

Recommendation: In order to strengthen internal control procedures over revenue receipting, cutoff, and year-end closing entries, the District should establish internal control procedures over year-end procedures to ensure activity is complete and accurately recorded and posted in the general ledger.

Views of responsible officials: Management agrees with this recommendation.

Contact Person: Jeffery Walker, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2021-003: Cash with Trustee and Related Activity

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

Condition/Context: The District did not establish internal control procedures to ensure cash on deposit with the trustee recorded in the general ledger was properly recorded and reconciled at year-end. We noted the following adjustments to properly record activity from the trustee:

- Record interest earned for the trustee account.
- Recognize \$1.4 million in federal impact aid revenue that was withheld by the trustee to make the debt service payments.
- Record principal and interest payments due of \$1.1 million \$0.2 million, respectively, on the school improvement bonds.
- Adjust the cash balance with the trustee recorded in the general ledger to reflect the activity of the trustee during the year.

Criteria: Internal control procedures.

Effect: Material audit adjustments were proposed and subsequently recorded to properly record the activity of the trustee, including recording debt service principal and interest payments, interest revenue and recording impact aid revenue held by the trustee to make the debt service payments.

Cause: The trustee activity is recognized through a separate bank account and was not recorded in the District's general ledger.

Repeat Finding: This finding is a repeat of a finding in the immediate prior year. Prior year finding numbers were 2020-003, 2019-003 and 2018-003.

Recommendation: We recommend the District review its internal control procedures over reconciling and recording the cash with trustee activity and to ensure principal, interest and grant revenue are being properly recorded in the general ledger.

Views of Responsible Officials: Management agrees with this recommendation.

Contact Person: Jeffery Walker, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2021-004: Capital Assets

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

Condition/Context: The District did not establish internal control procedures over capital assets reporting. We noted capital assets were reconciled more than nine months after fiscal year-end.

Criteria: Internal control procedures.

Effect: The lack of timely and accurate reconciliations creates an opportunity for a material misstatement to go undetected and uncorrected.

Cause: The District compiled the cumulative capital assets listing; however, the District's controls did not identify additions that should have been added to the capital assets listing or assets that were over depreciated in the current and prior year.

Repeat Finding: This finding is a similar finding from the immediate prior year. Prior year finding numbers were 2020-004, 2019-004 and 2018-004.

Recommendation: We recommend the District review its internal control procedures over capital asset reporting to ensure capital acquisitions, for those purchased and leased, are reconciled to capital expenditures to ensure all activity is properly recorded on the capital assets listing and we recommend a review process be implemented over the depreciable lives of the assets and the calculated depreciation. The procedures should be designed to allow for more timely and accurate close-out and reconciliation of the capital assets listing and schedules.

Views of Responsible Officials: Management agrees with this recommendation.

Contact Person: Jeffery Walker, Business Manager

**WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2021**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

Federal Grantor / Pass Through Grantor / Program or Cluster	Federal Assistance Listing Number	Pass-Through Grantor's Number	Total Federal Expenditures	Passed Through to Subrecipients
U.S. Department of Agriculture				
Passed Through State of Arizona, Department of Education:				
Child Nutrition Cluster:				
Noncash Assistance (Commodities)				
National School Lunch Programs	10.555	7AZ300AZ3	\$ 87,297	\$ -
Summer Food Service Program	10.559	7AZ300AZ3	<u>1,203,031</u>	<u>-</u>
Total Child Nutrition Cluster			<u>1,290,328</u>	<u>-</u>
Total U.S. Department of Agriculture			<u>1,290,328</u>	<u>-</u>
U.S. Department of Interior				
JOM Supplemental Assistance	15.130	Direct Grant	116,857	-
U.S. Department of Treasury				
Passed through State of Arizona, Governor's Office				
COVID-19 Enrollment Stabilization Grant	21.019	ERMT-21-2601	754,495	-
U.S. Department of Education				
Title VII - Impact Aid	84.041	Direct Grant	9,922,093	-
Title VII - Part C: Indian Education	84.060	Direct Grant	379,485	-
Passed Through State of Arizona, Department of Education:				
Title I - LEAs	84.010	S010A200003	1,086,846	-
Comprehensive Support and Improvement	84.010	S010A200003	<u>148,285</u>	<u>-</u>
Total 84.010			<u>1,235,131</u>	<u>-</u>
Vocational Education	84.048	V048A200003	85,763	-
Special Education Cluster:				
IDEA - Basic Entitlement	84.027	H027A200007	464,749	-
IDEA Navajo Nation Preschool	84.027	13-01-ED	<u>22,679</u>	<u>-</u>
Total 84.027			<u>487,428</u>	<u>-</u>
IDEA Preschool Development Grant	84.173	H173A200003	<u>5,154</u>	<u>-</u>
Total Special Education Cluster			<u>492,582</u>	<u>-</u>
Rural and Low-Income Schools	84.358	S358B200003	42,981	-
Title III - LEP	84.365	S365A200003	24,623	-
Title II - Supporting Effective Instruction	84.367	S367A200049	73,866	-
School Improvement Grant	84.377	SIGCH4YR3	673,790	-
Title IV-A Student Support & Academic Achievement	84.424	S424A200003	89,958	-
COVID-19 Elementary and Secondary School				
Emergency Relief	84.425D	S425D200003	683,293	-
COVID-19 Elementary and Secondary School				
Emergency Relief	84,425D	S425D021003	<u>7,567</u>	<u>-</u>
Total U. S. Department of Education			<u>13,711,132</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 15,872,812</u>	<u>\$ -</u>

See accompanying Notes to Schedule of Expenditures of Federal Awards.

WINDOW ROCK UNIFIED SCHOOL DISTRICT NO. 8
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2021

NOTE 1 BASIS OF ACCOUNTING

The purpose of the schedule of expenditures of federal awards (the Schedule) is to present a summary of those activities of Window Rock Unified School District No. 8 (the District) that have been financed by the U.S. government (federal awards). Federal awards received directly from federal agencies are included in the Schedule. Additionally, all federal awards passed through from other entities have been included in the Schedule. The School is required to match certain grant agreements, as defined in the grants, and these matching amounts are not included in the Schedule.

The information in the Schedule is presented in accordance with requirements of Title 2 CFR 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 School, it is not intended to and does not present the financial position or changes in fund balance or net position 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, with the exception of Assistance Listing Number 21.019, which follows criteria determined by the Department of Treasury for allowability of costs. Under these principles, certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 2 INDIRECT COST

The District has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.



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