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

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**ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30,2022**



Issued by:  
Business and Finance Department

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

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## **FINANCIAL SECTION**

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Simon Unified School District No. 18 (District), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of San Simon Unified School District No. 18, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

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

#### ***Responsibilities of Management for the Financial Statements***

The District's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

### ***Required Supplementary Information***

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 2, 2023 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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.



Scottsdale, Arizona  
March 2, 2023

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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# **SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18 MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2022**

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As management of the San Simon Unified School District No. 18 (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

## **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 \$875,691 (net position). The District's total net position increased by \$45,741.
  - General revenues accounted for \$1,990,473 in revenue, or 74% of all current year revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$695,866 or 26% of total current year revenue.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$974,029, a decrease of \$71,816 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$745,098, or 36% of total General Fund expenditures.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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

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

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

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

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

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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**Fund Financial Statements**

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

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

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

The District maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and Special Projects Fund which are considered 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, and Capital Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District also maintains an encumbrance accounting system as one technique of maintaining budgetary control. Encumbered amounts lapse at year-end. An annual budget of revenue from all sources is not prepared.

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

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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**Notes to Basic Financial Statements**

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 – 31 of this report.

**Required Supplementary Information Other than MD&A**

The District reports a multi-year schedule of the District's proportionate share of net pension liability and contributions to its cost-sharing pension plan on page 32.

Governments have the option of reporting the General Fund budgetary statements as part of the basic financial statements or as required supplementary information (RSI) other than the MD&A. The District has elected to present the General Fund and the Special Projects Fund budgetary comparison schedule as RSI other than the MD&A which can be found starting on page 33 of this report. Notes to the RSI are presented after the budgetary comparison schedules on page 35.

**Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$875,691 at the close of the most recent fiscal year.

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

	<b>Governmental Activities</b>		
	<b>2022</b>	<b>2021</b>	<b>Net Change</b>
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
Current and other assets	\$ 1,237,742	\$ 1,266,414	\$ (28,672)
Capital assets	1,272,037	1,110,380	161,657
Deferred outflows	388,609	493,122	(104,513)
<b>Total Assets and Deferred Outflows</b>	<b>2,898,388</b>	<b>2,869,916</b>	<b>28,472</b>
<b>LIABILITIES AND DEFERRED INFLOWS</b>			
Current liabilities	168,582	154,315	14,267
Long-term liabilities	1,352,249	1,872,936	(520,687)
Deferred inflows	501,866	12,715	489,151
<b>Total Liabilities and Deferred Inflows</b>	<b>2,022,697</b>	<b>2,039,966</b>	<b>(17,269)</b>
<b>NET POSITION</b>			
Net investment in capital assets	1,251,811	1,077,973	173,838
Restricted	228,931	262,999	(34,068)
Unrestricted	(605,051)	(511,022)	(94,029)
<b>Total Net Position</b>	<b>\$ 875,691</b>	<b>\$ 829,950</b>	<b>\$ 45,741</b>

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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

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

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

Overall, net position increased \$45,741 or 6%. Key elements of this increase are indicated as follows:

	<b>Governmental Activities</b>		
	<b>2022</b>	<b>2021</b>	<b>Net Change</b>
<b>REVENUES</b>			
Program revenues:			
Charges for services	\$ 38,772	\$ 51,616	\$ (12,844)
Operating grants and contributions	470,606	358,168	112,438
Capital grants and contributions	186,488	69,104	117,384
General revenues:			
Property taxes	1,346,612	1,298,708	47,904
State equalization and additional state aid	572,986	595,538	(22,552)
Federal aid unrestricted	32,163	27,701	4,462
County equalization	28,944	30,301	(1,357)
Interest and other	9,768	104,983	(95,215)
<b>Total Revenues</b>	<b>2,686,339</b>	<b>2,536,119</b>	<b>150,220</b>
<b>EXPENSES</b>			
Instruction	1,336,944	1,157,107	179,837
Support Services:			
Students and instructional staff	152,296	129,047	23,249
General and school administration	184,538	189,872	(5,334)
Business and other support services	179,629	165,808	13,821
Operation and maintenance of plant	436,640	417,976	18,664
Operation of noninstructional services	205,598	189,572	16,026
Student transportation	143,418	103,793	39,625
Interest on long-term debt	1,535	2,148	(613)
<b>Total Expenses</b>	<b>2,640,598</b>	<b>2,355,323</b>	<b>285,275</b>
<b>Change in net position</b>	<b>45,741</b>	<b>180,796</b>	<b>(135,055)</b>
<b>Net Position - Beginning</b>	<b>829,950</b>	<b>649,154</b>	<b>180,796</b>
<b>Net Position - Ending</b>	<b>\$ 875,691</b>	<b>\$ 829,950</b>	<b>\$ 45,741</b>

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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**Program Revenues**

The District reported a decrease in charges for services of \$12,844 (25%). This decrease was due to decreases in student activity revenue during the current year due to less sales with student council activities.

Operating grants and contributions increased \$112,438 (31%). This increase was due to increased federal funding for COVID-19 related grant programs.

Capital grants and contributions increased \$117,384 (170%) due an SFB grant project during the current year.

**General Revenues**

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

State equalization and additional state aid decreased \$22,552 (4%) due to decreases in the state's budget formula.

Interest and other income decreased \$95,215 due to decreases miscellaneous revenue for the termination of the revenue donated for the rodeo farm operations during the current year.

**Expenses**

The District incurred an 12% increase in expenses in the current year. The District's mission is to provide an appropriate and outstanding educational experience for every student served within budget constraints. The increase was mainly due to increases in salaries and related benefits, instructional aides, furniture and equipment, professional education services, and repairs and maintenance.

**FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS**

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$974,029, a decrease of \$71,816 in comparison with the prior year. Approximately 76% of this total amount (\$745,098) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is restricted to indicate that it is not available for new spending.

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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Fund balances as of June 30, 2022, and the changes in fund balances from prior year are summarized as follows:

<b>GOVERNMENTAL FUND</b>	<b>Balance</b>	<b>Increase (Decrease) From 2020-21</b>
General Fund	\$ 745,098	\$ (37,748)
Special Projects Fund	20,681	(12,484)
Nonmajor Governmental Funds	208,250	(21,584)

For the fiscal year ended June 30, 2022 the General Fund had a decrease in fund balance of \$37,748. This decrease is was mainly due to a decline in state aid funding and increase in spending.

The Special Projects Fund decrease of \$12,484 was due to spending down grant carryover funds from the prior year.

The Nonmajor Governmental Funds decrease of \$21,584 was primarily due to increase in CTED program spending.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget totaled \$259,619. In Arizona, school districts build their original “adopted” budget based on a projection of the coming fiscal year’s 100th day average daily attendance. In May, the District can increase or decrease its budget for differences between expected and actual student growth. The \$259,619 was mainly decreased in regular education – instruction. Budgetary basis General Fund expenditures were \$392,070 (18%) less than budget during the fiscal year.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The District’s investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$1,272,037 (net of accumulated depreciation). This investment in capital assets includes land and land improvements, buildings and building improvements, furniture, equipment, and vehicles. The net increase in the District’s investment in capital assets for the current fiscal year was 15%.

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

- HVAC improvements
- School bus
- Roof improvements

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2022**

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**Capital Assets (Continued)**

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

	Governmental Activities		
	2022	2021	Net Change
<b>CAPITAL ASSETS</b>			
Land	\$ 3,386	\$ 3,386	\$ -
Land improvements	7,280	7,701	(421)
Buildings & improvements	648,948	595,384	53,564
Vehicles, equipment, and furniture	612,423	503,909	108,514
<b>Total Capital Assets</b>	<b>\$ 1,272,037</b>	<b>\$ 1,110,380</b>	<b>\$ 161,657</b>

**Debt Administration**

The District's debt related to capital leases decreased \$12,181 during the current year. The District did not have outstanding bonds or other long-term debt other than pensions, other postemployment benefits and compensated absences. Additional information on the District's long-term debt can be found in Note 7.

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

- Changes in ADM.
- High inflation rate reflected in higher salaries and operating costs.
- Steady increase in property tax valuation.
- Additional federal grant money from COVID-19 grant funding.

The above factors were considered in preparing the District's budget for the 2022-23 fiscal year.

**REQUEST FOR INFORMATION**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, San Simon Unified School District No. 18, P.O. Box 38, San Simon, Arizona 85623. The District's website is also available at [sansimon.org](http://sansimon.org).

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## **BASIC FINANCIAL STATEMENTS**

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**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 926,228
Property taxes receivable	67,221
Intergovernmental receivable	205,073
Net OPEB asset	39,220
Capital assets, not depreciated	3,386
Capital assets, net of accumulated depreciation	1,268,651
<b>Total Assets</b>	<b>2,509,779</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to pensions	380,729
Deferred outflows related to OPEB	7,880
<b>Total Deferred Outflows of Resources</b>	<b>388,609</b>
<b>LIABILITIES</b>	
Accounts payable	63,734
Accrued wages and benefits	104,848
Long-term liabilities:	
Due within one year	55,346
Due in more than one year	7,404
Net OPEB liability	1,823
Net pension liability	1,287,676
<b>Total Liabilities</b>	<b>1,520,831</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	468,004
Deferred inflows related to OPEB	33,862
<b>Total Deferred Inflows of Resources</b>	<b>501,866</b>
<b>NET POSITION</b>	
Investment in capital assets	1,251,811
Restricted:	
Teacher compensation and other qualified programs (A.R.S 15-977)	50,889
Instructional improvement programs	31,638
Federal instructional programs	5,425
State instructional programs	15,256
Food service	14,705
Community programs	1,724
Vocational educational programs	43,967
Extracurricular activities	30,755
Student activities	33,344
Other programs	1,087
Capital projects	141
Unrestricted	(605,051)
<b>Total Net Position</b>	<b>\$ 875,691</b>

See accompanying Notes to the Basic Financial Statements

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

Function/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
<b>Primary Government:</b>					
Governmental Activities:					
Instruction	\$ 1,336,944	\$ -	291,504	\$ -	\$ (1,045,440)
Support services:					
Students	139,008	-	35,811	-	(103,197)
Instructional staff	13,288	-	3,803	-	(9,485)
General administration	184,427	-	3,403	-	(181,024)
School administration	111	-	-	-	(111)
Business and other support services	179,629	-	7,891	-	(171,738)
Operation and maintenance of plant	436,640	-	38,295	143,198	(255,147)
Student transportation	143,418	-	882	-	(142,536)
Operation of noninstructional services	205,598	38,772	89,017	43,290	(34,519)
Interest on long-term debt	1,535	-	-	-	(1,535)
<b>Total</b>	<b>\$ 2,640,598</b>	<b>\$ 38,772</b>	<b>\$ 470,606</b>	<b>\$ 186,488</b>	<b>(1,944,732)</b>
<b>General revenues:</b>					
Property taxes					1,346,612
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					572,986
County equalization					28,944
Federal aid not restricted					32,163
Investment earnings					3,493
Other					6,275
Total general revenues					<u>1,990,473</u>
Change in net position					45,741
Net position - beginning					<u>829,950</u>
Net position - ending					<u>\$ 875,691</u>

See accompanying Notes to the Basic Financial Statements

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

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	General Fund	Special Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 682,988	\$ -	\$ 243,240	\$ 926,228
Receivables:				
Property taxes	67,221	-	-	67,221
Intergovernmental	-	196,512	8,561	205,073
Due from other funds	171,508	-	-	171,508
<b>Total Assets</b>	<b>\$ 921,717</b>	<b>\$ 196,512</b>	<b>\$ 251,801</b>	<b>\$ 1,370,030</b>
<b>LIABILITIES</b>				
Accounts payable	\$ 26,476	\$ 165	\$ 37,093	\$ 63,734
Accrued wages	94,232	4,158	6,458	104,848
Due to other funds	-	171,508	-	171,508
<b>Total Liabilities</b>	<b>120,708</b>	<b>175,831</b>	<b>43,551</b>	<b>340,090</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable revenues	55,911	-	-	55,911
<b>FUND BALANCES</b>				
Restricted	-	20,681	208,250	228,931
Unassigned	745,098	-	-	745,098
<b>Total Fund Balances</b>	<b>745,098</b>	<b>20,681</b>	<b>208,250</b>	<b>974,029</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 921,717</b>	<b>\$ 196,512</b>	<b>\$ 251,801</b>	<b>\$ 1,370,030</b>

See accompanying Notes to the Basic Financial Statements

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL**  
**FUNDS TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

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**Total Fund Balance - Governmental Funds** \$ 974,029

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

Capital assets:

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

Capital assets	\$ 3,117,053	
Accumulated depreciation	<u>(1,845,016)</u>	1,272,037

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds:		55,911
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Net OPEB asset:

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

39,220

Long-term liabilities:

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

Long-term liabilities relating to governmental activities consist of:

Financed purchase liability	(20,226)	
Net pension liability	(1,287,676)	
Net OPEB liability	(1,823)	
Compensated absences	<u>(42,524)</u>	(1,352,249)

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

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

Deferred outflows of resources relating to pensions/OPEB:	388,609	
Deferred inflows of resources relating to pensions/OPEB:	<u>(501,866)</u>	(113,257)

**Total Net Position - Governmental Activities** \$ 875,691

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**STATEMENT OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	<b>General Fund</b>	<b>Special Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>				
Property taxes	\$ 1,350,661	\$ -	\$ -	\$ 1,350,661
Intergovernmental	634,093	254,651	385,374	1,274,118
Food Services Sales	-	-	2,892	2,892
Student Activities	-	-	30,636	30,636
Auxiliary operations	5,244	-	-	5,244
Contributions and donations	10,269	-	6,800	17,069
Investment earnings	2,731	64	698	3,493
Other	3,081	-	3,194	6,275
<b>Total Revenues</b>	<b>2,006,079</b>	<b>254,715</b>	<b>429,594</b>	<b>2,690,388</b>
<b>EXPENDITURES</b>				
Current				
Instruction	926,067	189,572	148,211	1,263,850
Support services:				
Students	98,088	23,408	12,599	134,095
Instructional staff	8,316	570	4,195	13,081
General administration	176,930	3,570	-	180,500
School administration	259	-	-	259
Business and other support services	167,702	8,278	-	175,980
Operations and maintenance of plant	358,544	37,275	91,460	487,279
Student transportation	237,534	925	-	238,459
Operations of noninstructional services	62,626	3,601	126,441	192,668
Debt service:				
Principal	6,740	-	5,441	12,181
Interest and other	1,021	-	514	1,535
Capital outlay:				
Facilities acquisition	-	-	62,317	62,317
<b>Total Expenditures</b>	<b>2,043,827</b>	<b>267,199</b>	<b>451,178</b>	<b>2,762,204</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	<b>(37,748)</b>	<b>(12,484)</b>	<b>(21,584)</b>	<b>(71,816)</b>
<b>Fund Balance - Beginning</b>	<b>782,846</b>	<b>33,165</b>	<b>229,834</b>	<b>1,045,845</b>
<b>Fund Balance - Ending</b>	<b>\$ 745,098</b>	<b>\$ 20,681</b>	<b>\$ 208,250</b>	<b>\$ 974,029</b>

See accompanying Notes to the Basic Financial Statements

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2022**

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**Net Change in Fund Balances - Governmental Funds** \$ (71,816)

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

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

Expenditures for capital outlay: \$	255,238	
Depreciation expense:	<u>(93,581)</u>	161,657

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

Property taxes	(4,049)
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Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions.

Pension contributions	141,451
Pension expense	(191,541)
Other post employment benefits contributions	4,177
Other post employment benefits expense	3,100

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

Principal payment on financed purchases	12,181
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Net decrease(increase) in compensated absences	<u>(9,419)</u>
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<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>45,741</u></b>
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## **NOTES TO BASIC FINANCIAL STATEMENTS**

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**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

The accompanying financial statements of the San Simon Unified School District No. 18 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB).

**Reporting Entity**

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

**Government-Wide and Fund Financial Statements**

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

The District reports the following major governmental funds:

Major Governmental Funds

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

The *Special Projects Fund* accounts for the revenues and expenditures of state and federally funded projects.

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

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Deposits and Investments**

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

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

Statute authorizes the District to deposit monies of Auxiliary Operations, Extracurricular Activities Tax Credit and Student Activities in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholding accounts for taxes, employee insurance programs, and federal savings bonds. Some of these bank accounts may be interest bearing.

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of monies at 102% of all deposits not covered by federal depository insurance.

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

**Property Taxes Receivables**

The Cochise County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

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

**Intergovernmental Receivable**

Intergovernmental receivables are comprised of federal grants (\$196,512) and other government (\$8,561).

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Capital Assets**

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

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

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

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

**Deferred Outflows of Resources**

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

**Compensated Absences**

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

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Long-Term Obligations**

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

**Deferred Inflows of Resources**

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2022 or within 60 days of fiscal year-end. These deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

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

**Net Position**

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

**Fund Balances**

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

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

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

**Fund Balances (Continued)**

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

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

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

The District has classified its fund balances as follows:

	<b>General Fund</b>	<b>Special Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Activities</b>
<b>Restricted</b>				
Teacher compensation and other qualified programs (A.R.S. 15-977)	\$ -	\$ -	\$ 50,889	\$ 50,889
Instructional improvement programs	-	-	31,638	31,638
Federal instructional programs	-	5,425	-	5,425
State instructional programs	-	15,256	-	15,256
Food services	-	-	14,705	14,705
Community programs	-	-	1,724	1,724
Vocational educational programs	-	-	43,967	43,967
Extracurricular activities	-	-	30,755	30,755
Student activities	-	-	33,344	33,344
Other programs	-	-	1,087	1,087
Capital projects	-	-	141	141
Total restricted	-	20,681	208,250	228,931
<b>Unassigned</b>	745,098	-	-	745,098
<b>Total</b>	<b>\$ 745,098</b>	<b>\$ 20,681</b>	<b>\$ 208,250</b>	<b>\$ 974,029</b>

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

**NOTE 3 – DEPOSITS AND INVESTMENTS**

Deposits and investments at June 30, 2022 consist of the following:

Deposits:	
Cash in bank	\$ 84,476
Investments:	
Cash on deposit with county treasurer	841,752
Total deposits and investments	<u>\$ 926,228</u>

**Deposits**

*Custodial Credit Risk* – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. At June 30, 2022, the carrying amount of the District’s deposits was \$84,476 and the bank balance was \$79,088. At June 30, 2022, the entire bank balance was covered by Federal Depository Insurance.

**Investments**

At June 30, 2022, the District’s investments consisted of investment in the County Treasurer’s Investment pool. The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer’s investment pool, and that pool’s structure does not provide for shares.

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

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

*Credit Risk* – The District has no investment policy that would further limit its investment choices. At June 30, 2022, the District’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 4 – RECEIVABLES AND UNAVAILABLE REVENUE**

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources. Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the District reported unavailable revenue of \$55,911 in the General Fund for delinquent property tax collections.

**NOTE 5 – CAPITAL ASSETS**

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

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022
Capital assets not being depreciated				
Land	\$ 3,386	\$ -	\$ -	\$ 3,386
Capital assets being depreciated				
Land improvements	192,820	4,500	-	197,320
Buildings and improvements	1,724,216	88,739	-	1,812,955
Vehicles, equipment, and furniture	941,393	161,999	-	1,103,392
Total capital assets being depreciated	2,858,429	255,238	-	3,113,667
Less accumulated depreciation				
Land improvements	(185,119)	(4,921)	-	(190,040)
Buildings and improvements	(1,128,832)	(35,175)	-	(1,164,007)
Vehicles, equipment, and furniture	(437,484)	(53,485)	-	(490,969)
Total accumulated depreciation	(1,751,435)	(93,581)	-	(1,845,016)
Total capital assets, being depreciated, net	1,106,994	161,657	-	1,268,651
Governmental activities capital assets, net	\$ 1,110,380	\$ 161,657	\$ -	\$ 1,272,037

Depreciation expenses was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 45,689
Support Services:	
Students	2,616
Operations and Maintenance of Plant	18,465
Student Transportation	24,482
Operation of Noninstructional Services	2,329
	<u>\$ 93,581</u>

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 6 – LONG-TERM OBLIGATIONS**

**Compensated Absences**

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

**Financed Purchases**

The District has acquired vehicles under the provisions of a financed purchase. The total principal value of the purchase was \$61,042 with an interest rate of 4.75%. The principal amount of the assets capitalized in the Governmental Activities Fund net of accumulated depreciation is \$12,208.

The payments on the financed purchase are as follows:

Year Ending June 30:	Governmental Activities	
	Principal	Interest
2023	\$ 12,821	\$ 733
2024	7,405	357
Total:	\$ 20,226	\$ 1,090

Changes in long-term liabilities for the year ended June 30, 2022 are as follows:

	Balance July 01, 2021	Additions	Deductions	Balance June 30, 2022	Due Within One Year
Compensated absences	\$ 33,105	\$ 24,994	\$ (15,575)	\$ 42,524	\$ 42,524
Financed purchases	32,407	-	(12,181)	20,226	12,822
Total	\$ 65,512	\$ 24,994	\$ (27,756)	\$ 62,750	\$ 55,346

**NOTE 7 – RISK MANAGEMENT**

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

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLANS**

**Cost Sharing Pension Plan**

At June 30, 2022, the District reported the following related to pensions to which it contributes:

	Net Pension Liability (Asset)	Net OPEB Liability (Asset)
Net assets	\$ -	\$ (39,220)
Net liability	1,287,676	1,823
Deferred outflows of resources	380,729	7,880
Deferred inflows of resources	468,004	33,862
Expense	191,541	(3,100)
Contributions	141,451	4,177

**Arizona State Retirement System**

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

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

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

*\*With actuarially reduced benefits.*

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

Retirement benefits for members who joined the ASRS prior to September 13, 2013, are subject to automatic cost-of-living adjustments based on excess investment earning. Members with a membership date on or after September 13, 2013, are not eligible for cost-of-living adjustments. Survivor benefits are payable upon a member's death. For retired members, the retirement benefit option chosen determines the survivor benefit. For all other members, the beneficiary is entitled to the member's account balance that includes the member's contributions and employer's contributions, plus interest earned.

Health insurance premium benefits are available to retired or disabled members with 5 years of credited service. The benefits are payable only with respect to allowable health insurance premiums for which the member is responsible. For members with 10 or more years of service, benefits range from \$100 per month to \$260 per month depending on the age of the member and dependents. For members with 5 to 9 years of service, the benefits are the same dollar amounts as above multiplied by a vesting fraction based on completed years of service.

Active members are eligible for a monthly long-term disability benefit equal to two-thirds of monthly earnings. Members receiving benefits continue to earn service credit up to their normal retirement dates. Members with long-term disability commencement dates after June 30, 1999, are limited to 30 years of service or the service on record as of the effective disability date if their service is greater than 30 years.

**Contributions**

In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41% (12.22% for retirement and 0.19% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.41% (12.01% for retirement, 0.21% for health insurance premium benefit, and 0.19% for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13% for retirement, 0.09% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, was \$141,451, \$2,473, and \$1,704, respectively.

During the fiscal year ended June 30, 2022, the District paid for pension and OPEB contributions as follows: 87% from the General Fund, 5% from the Special Projects Fund and 8% from Nonmajor Governmental Funds.

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Liability**

At June 30, 2022, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 1,287,676	0.00980%	-0.00059%
Health insurance premium benefit	(39,220)	0.00805%	-0.00084%
Long-term disability	1,823	0.00883%	-0.00066%

The net asset and net liabilities were measured as of June 30, 2021. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience study for the 5-year period ended June 30, 2020, including decreasing the discount rate from 7.5% to 7.0% and changing the projected salary increases from 2.7–7.2% to 2.9–8.4%. The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

**Expense**

For the year ended June 30, 2022 the District recognized the following pension and OPEB expenses:

	Pension/OPEB Expense
Pension	\$ 191,541
Health insurance premium benefit	(4,458)
Long-term disability	1,358

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 – PENSION PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

**Deferred outflows and inflows of resources**

At June 30, 2022, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ 19,629	\$ -	\$ 527
Changes of assumptions or other inputs	167,601	1,944	583
Changes in proportion and differences between contributions and proportionate share of contributions	52,048	308	341
Contributions subsequent to the measurement date	141,451	2,473	1,704
<b>Total</b>	<b>\$ 380,729</b>	<b>\$ 4,725</b>	<b>\$ 3,155</b>

  

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ -	\$ 13,602	\$ 149
Changes of assumptions or other inputs	-	1,586	2,297
Net difference between projected and actual earnings on pension plan investments	407,981	14,549	1,262
Changes in proportion and differences between contributions and proportionate share of contributions	60,023	11	406
<b>Total</b>	<b>\$ 468,004</b>	<b>\$ 29,748</b>	<b>\$ 4,114</b>

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

Year Ending June 30:	Deferred Outflows (Inflows) of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
2023	\$ 25,613	\$ (6,452)	\$ (350)
2024	(23,807)	(6,178)	(328)
2025	(89,939)	(6,778)	(375)
2026	(140,593)	(7,500)	(566)
2027	-	(588)	(197)
Thereafter	-	-	(847)
<b>Total</b>	<b>\$ (228,726)</b>	<b>\$ (27,496)</b>	<b>\$ (2,663)</b>

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

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

	Pensions	Health Insurance Premium Benefit	Long-Term Disability
Actuarial valuation date	June 30, 2020	June 30, 2020	June 30, 2020
Actuarial roll forward date	June 30, 2021	June 30, 2021	June 30, 2021
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	2.9-8.4%	Not applicable	Not applicable
Inflation rate	2.3%	2.3%	2.3%
Permanent base increases	Included	Not applicable	Not applicable
Mortality rates	2017 SRA Scale U-MP	2017 SRA Scale U-MP	Not applicable
Recovery rates	Not applicable	Not applicable	2012 GLDT

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

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Fixed income - credit	20%	5.20%
Fixed income - interest rate sensitive	10%	0.70%
Real estate	20%	5.70%
Total	<u>100%</u>	

**Discount Rate**

On June 30, 2021, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0%, which was a decrease of 0.5% from the discount rate used as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plans’ fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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**NOTE 8 – PENSION PLANS (CONTINUED)**

**Arizona State Retirement System (Continued)**

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

The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	<u>Proportionate share of the net liability (asset)</u>		
	Current		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Pension	\$ 2,025,407	\$ 1,287,676	\$ 672,613
Health insurance premium benefit	(25,968)	(39,220)	(50,489)
Long-term disability	2,373	1,823	1,290

**Pension Plan Fiduciary Net Position**

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

**Contributions Payable**

The District’s accrued payroll and employee benefits included \$9,235 of outstanding pension and OPEB contribution amounts payable to ASRS for the year ended June 30, 2022.

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

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**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF**  
**NET PENSION LIABILITY AND CONTRIBUTIONS**  
**COST SHARING PENSION PLAN**  
**JUNE 30, 2022**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

	Reporting Fiscal Year (Measurement Date)							
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability	0.00980%	0.01039%	0.00928%	0.00825%	0.00872%	0.00997%	0.01266%	0.01360%
Proportionate share of the net pension liability	\$ 1,287,676	\$ 1,800,225	\$ 1,350,348	\$ 1,150,585	\$ 1,358,406	\$ 1,609,258	\$ 1,972,106	\$ 2,011,604
Covered payroll	\$ 1,113,298	\$ 1,135,909	\$ 994,499	\$ 982,468	\$ 944,770	\$ 987,089	\$ 1,170,190	\$ 1,246,688
Proportionate share of the net pension liability as a percentage of its covered payroll	115.66%	158.48%	135.78%	117.11%	143.78%	163.03%	168.53%	161.36%
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

**SCHEDULE OF CONTRIBUTIONS**

	Reporting Fiscal Year							
	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 141,451	\$ 128,340	\$ 130,062	\$ 111,185	\$ 105,666	\$ 91,670	\$ 101,255	\$ 126,992
Contributions in relation to the actuarially determined contribution	141,451	128,340	130,062	111,185	89,395	91,670	101,255	126,992
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ 16,271	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,182,257	\$ 1,113,298	\$ 1,135,909	\$ 994,499	\$ 982,468	\$ 994,770	\$ 987,089	\$ 1,170,190
Contributions as a percentage of covered payroll	11.96%	11.53%	11.45%	11.18%	9.10%	9.22%	10.26%	10.85%

*See accompanying Notes to Required Supplementary Information*

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**BUDGETARY COMPARISON SCHEDULE**  
**GENERAL FUND (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 1,206,280	\$ 1,206,280
Intergovernmental	-	-	505,611	505,611
Investment earnings	-	-	2,412	2,412
Other	-	-	1,162	1,162
<b>Total Revenues</b>	-	-	1,715,465	1,715,465
<b>EXPENDITURES</b>				
Regular education:				
Instruction	1,098,466	838,887	753,260	85,627
Support services - students	58,601	54,051	46,784	7,267
Support services - instructional staff	2,974	2,974	750	2,224
Support services - general administration	234,900	187,930	170,531	17,399
Support services - business and other	171,953	172,849	136,538	36,311
Operations and maintenance of plant	395,469	423,296	351,451	71,845
Operation of noninstructional services	89,000	89,000	57,654	31,346
School sponsored athletics	58,509	58,250	34,715	23,535
<b>Total regular education</b>	<b>2,109,872</b>	<b>1,827,237</b>	<b>1,551,683</b>	<b>275,554</b>
Special education:				
Instruction	166,278	160,470	86,149	74,321
Support services - students	39,009	50,213	45,713	4,500
Support services - instructional staff	6,790	7,251	7,441	(190)
Support services - business and other	-	9,737	9,589	148
<b>Total special education</b>	<b>212,077</b>	<b>230,371</b>	<b>151,592</b>	<b>78,779</b>
Pupil transportation:				
Student transportation services	149,171	154,138	116,401	37,737
K-3 reading program:				
Instruction	5,085	4,840	4,840	-
<b>Total Expenditures</b>	<b>2,476,205</b>	<b>2,216,586</b>	<b>1,824,516</b>	<b>392,070</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(2,476,205)	(2,216,586)	(109,051)	2,107,535
<b>Fund Balance - Beginning</b>	622,101	622,101	622,101	-
<b>Fund Balance - Ending</b>	\$ (1,854,104)	\$ (1,594,485)	\$ 513,050	\$ 2,107,535

See accompanying Notes to Required Supplementary Information

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variances -
	Original	Final		Final to Actual
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ 254,651	\$ 254,651
Investment earnings	-	-	64	64
<b>Total Revenues</b>	-	-	254,715	254,715
<b>EXPENDITURES</b>				
Regular education:				
Instruction	239,698	288,075	187,668	100,407
Support services - students	6,131	7,368	4,800	2,568
Support services - instructional staff	728	875	570	305
Support services - general administration	4,560	5,480	3,570	1,910
Support services - business and other	10,573	12,707	8,278	4,429
Operations and maintenance of plant	47,609	57,218	37,275	19,943
Operation of noninstructional services	4,599	5,528	3,601	1,927
<b>Total regular education</b>	<b>313,898</b>	<b>377,251</b>	<b>245,762</b>	<b>131,489</b>
Special education:				
Support services - students	2,432	2,923	1,904	1,019
Support services - instructional staff	23,767	28,564	18,608	9,956
<b>Total special education</b>	<b>26,199</b>	<b>31,487</b>	<b>20,512</b>	<b>10,975</b>
Pupil transportation:				
Student transportation services	1,181	1,420	925	495
<b>Total Expenditures</b>	<b>341,278</b>	<b>410,158</b>	<b>267,199</b>	<b>142,959</b>
<b>Excess (Deficiency) of Revenues</b>				
<b>Over Expenditures</b>	(341,278)	(410,158)	(12,484)	397,674
<b>Fund Balance - Beginning</b>	20,681	20,681	622,101	601,420
<b>Fund Balance - Ending</b>	\$ (320,597)	\$ (389,477)	\$ 609,617	\$ 999,094

See accompanying Notes to Required Supplementary Information

**SAN SIMON UNIFIED SCHOOL DISTRICT NO. 18**  
**BUDGETARY COMPARISON SCHEDULE**  
**SPECIAL PROJECTS FUND**  
**YEAR ENDED JUNE 30, 2022**

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**NOTE 1 – AVAILABILITY OF PRIOR YEAR PENSION INFORMATION**

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

**NOTE 2 – BUDGETARY BASIS OF ACCOUNTING**

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

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

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

	General Fund				
	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund balance beginning of year	Fund balance end of year
Statement of revenues, expenditures and changes in fund balance	\$ 2,006,079	\$ 2,043,827	\$ -	\$ 782,846	\$ 745,098
Non-maintenance and operation activity included in the General Fund	(290,614)	(219,311)	-	(160,745)	(232,048)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	\$ 1,715,465	\$ 1,824,516	\$ -	\$ 622,101	\$ 513,050



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of San Simon Unified School District No. 18 (District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 2, 2023.

**Report on 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 District's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

## **Report on Compliance and Other Matters**

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

## **Purpose of this Report**

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



Scottsdale, Arizona  
March 2, 2023