
SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71

ANNUAL FINANCIAL REPORT AND REPORT ON INTERNAL CONTROL AND COMPLIANCE

FISCAL YEAR ENDED JUNE 30,2022



SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
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JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

Governing Board
Sentinel Elementary School District No. 71
Sentinel, Arizona

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sentinel Elementary School District No. 71 (the "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 Sentinel Elementary School District No. 71, 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 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. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 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.

CWDL, Certified Public Accountants

Scottsdale, Arizona

March 9, 2023

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

As management of the Sentinel Elementary School District No. 71, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities increased \$256,942. This represents a 9% increase from fiscal year 2021.
- General revenues accounted for \$1,354,874 in revenue, or 71% of all fiscal year 2022 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$564,395 or 29% of total fiscal year 2022 revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,413,849, an increase of \$97,706 in comparison with the prior year.
- At the end of fiscal year 2022, unassigned fund balance for the General Fund was \$1,220,247, or 97% of total General Fund expenditures.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains 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 of the District's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

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

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

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

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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 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 eight 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 to be a major funds. Data from the other six 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. 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 11 - 16 of this report.

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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

Governments have the option of reporting the General Fund and major special revenue 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 Special Projects Fund budgetary comparison schedules as RSI other than the MD&A which can be found starting on page 32 of this report.

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 34. Notes to the RSI are presented 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 \$3,130,044 at the close of the most recent fiscal year.

The following table presents a summary of the District's net position as of June 30, 2022 and 2021.

	Governmental Activities		
	2022	2021	Net Change
ASSETS AND DEFERRED OUTFLOWS			
Current and other assets	\$ 1,491,998	\$ 1,408,890	\$ 83,108
Capital assets	2,285,058	2,159,876	125,182
Deferred outflows	173,364	180,484	(7,120)
Total Assets and Deferred Outflows	3,950,420	3,749,250	201,170
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities	34,796	61,610	(26,814)
Long-term liabilities	552,964	808,992	(256,028)
Deferred inflows	232,616	5,546	227,070
Total Liabilities and Deferred Inflows	820,376	876,148	(55,772)
NET POSITION			
Investment in capital assets	2,285,058	2,159,876	125,182
Restricted	76,232	78,749	(2,517)
Unrestricted	768,754	634,477	134,277
Total Net Position	\$ 3,130,044	\$ 2,873,102	\$ 256,942

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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, buildings and improvements, 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 all three categories of net position.

Changes in net position. The District's total revenues for the fiscal years ended June 30, 2022 and 2021, were \$1,919,269 and \$1,825,648, respectively. The total cost of all programs and services for the fiscal years ended June 30, 2022 and 2021 were \$1,662,327 and \$1,442,988, respectively. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and 2021.

	Governmental Activities		
	2022	2021	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 8,516	\$ 7,499	\$ 1,017
Operating grants and contributions	479,252	203,095	276,157
Capital grants and contributions	76,627	137,088	(60,461)
General revenues			
Property taxes	1,151,785	1,199,181	(47,396)
State equalization and additional state aid	168,171	229,590	(61,419)
County equalization	17,640	23,970	(6,330)
Interest and other	17,278	25,225	(7,947)
Total Revenues	1,919,269	1,825,648	93,621
EXPENSES			
Instruction	813,174	694,853	118,321
Support Services			
Students and instructional staff	142,830	66,596	76,234
General and school administration	61,705	69,238	(7,533)
Business and other support services	109,743	93,657	16,086
Operation and maintenance of plant	314,836	307,429	7,407
Operation of noninstructional services	98,926	98,271	655
Student transportation	121,113	112,318	8,795
Interest on long-term debt	-	626	(626)
Total Expenses	1,662,327	1,442,988	219,339
Change in net position	256,942	382,660	(125,718)
Net Position - Beginning	2,873,102	2,490,442	382,660
Net Position - Ending	\$ 3,130,044	\$ 2,873,102	\$ 256,942

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

Program Revenues

Charges for services increased \$1,017 due to increases in food sales and student events due to the lifting of COVID-19 related restrictions.

Operating grants and contributions increased \$276,157 (136%) due to new federal grant funding related to COVID-19.

Capital grants and contributions decreased \$60,461 (-44%) due to the ongoing capital project funded by the School Facilities Board for a new well. This project was nearing completion and therefore the capital grants reimbursements started to decline.

General Revenues

The District experienced a decrease of \$47,396 in property tax revenue as a result of decreased tax rates and assessed valuations.

State and county equalization and additional state aid decreased \$67,749 (-27%) due to decrease in the state's budget formula and a decline in the student population.

Interest and other revenue decreased \$7,947 due to decreases in miscellaneous receipts.

The District incurred a 15% increase in expenses in the current year. The increase was mainly due to increases employee compensation and related benefits, repairs and maintenance, and fuel.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1,413,849, an increase of \$97,706 in comparison with the prior year. Approximately 88% of this total amount (\$1,220,247) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is nonspendable or restricted to indicate that it is not available for new spending.

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS (CONTINUED)

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

	Balance	Increase (Decrease) From 2020-21
GOVERNMENTAL FUND		
General Fund	\$ 1,337,617	\$ 100,223
Special Projects Fund	45,161	1,213
Nonmajor Governmental Funds	31,071	(3,730)

The General Fund continues to experience a positive net change in fund balance. For the fiscal year ended June 30, 2021, the General Fund had an increase in fund balance of \$100,223. This increase is due to continued conservative spending practices.

The Special Projects Fund increase of \$1,213 was due to grant revenue that was received in the current year and will be spent in subsequent periods.

The decrease in Nonmajor Governmental Funds of \$3,730 was mainly due to increases in Classroom Site Fund spending.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District can revise the annual General Fund expenditure budget. 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 is allowed to increase or decrease its budget for differences between expected and actual student growth. Differences between the original and the final amended General Fund budget represented a 1% increase. The \$14,290 increase was primarily due to the increase in regular education - instruction for the year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund and Special Projects Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2022, amounts to \$2,285,058 (net of accumulated depreciation). This investment in capital assets includes land and improvements, buildings and improvements, vehicles, equipment, and furniture. The net increase in the District's investment in capital assets for the current fiscal year was \$125,182.

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

Capital Assets (Continued)

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

- Fiber cabling
- Replacement well
- Vehicles

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Land	\$ 48,401	\$ 48,401	\$ -
Construction in progress	226,507	220,438	6,069
Land improvements	394,242	373,020	21,222
Buildings & improvements	1,248,567	1,133,536	115,031
Vehicles, equipment, and furniture	367,341	384,481	(17,140)
Total Capital Assets	\$ 2,285,058	\$ 2,159,876	\$ 125,182

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

Debt Administration

At the end of the current fiscal year, the District had \$29,345 in long-term debt outstanding related to compensated absences. The increase of \$5,244 was mainly due mainly to increases in pay rates. Additional information on the District's compensated absences can be found in Note 7 of this report. The District also had long-term debt outstanding related to the net pension/OPEB liabilities or assets. Additional information on the pension/OPEB liabilities and assets can be found in Note 10 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Continued projects on the well.
- Fluctuating student population.
- Changes in assessed values and tax rates.

These indicators were considered when adopting the budget for fiscal year 2022-23.

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, write to Sentinel Elementary School District No. 71, 53802 West U.S. Highway 80, Sentinel, AZ 85333, or call (928) 323-3300. More information about the District can be found on their website at www.sentinelesd.org.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,290,592
Property taxes receivable	31,564
Due from other governments	40,292
Prepays	117,370
Net OPEB Asset	12,180
Capital assets, not depreciated	48,401
Capital assets, net of accumulated depreciation	2,236,657
Total Assets	3,777,056
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	170,183
Deferred outflows related to OPEB	3,181
Total Deferred Outflows of Resources	173,364
LIABILITIES	
Accounts payable	6,928
Accrued wages and benefits	27,868
Long-term liabilities:	
Due within one year	29,345
Net OPEB liability	665
Net pension liability	522,954
Total Liabilities	587,760
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	223,348
Deferred inflows related to OPEB	9,268
Total Deferred Inflows of Resources	232,616
NET POSITION	
Investment in capital assets	2,285,058
Restricted:	
Teacher compensation and other qualified programs (A.R.S 15-977)	5,735
Instructional improvement programs	6,132
Federal instructional programs	36,147
State instructional programs	9,014
Food service	11,815
Student activities	755
Extracurricular activities	6,634
Unrestricted	768,754
Total Net Position	\$ 3,130,044

See accompanying Notes to the Basic Financial Statements

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
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
Primary Government:					
Governmental Activities:					
Instruction	\$ 813,174	\$ -	\$ 194,081	\$ -	\$ (619,093)
Support services:					
Students	66,378	-	58,918	-	(7,460)
Instructional staff	76,452	-	154,815	-	78,363
General administration	14,613	-	-	-	(14,613)
School administration	47,092	-	-	-	(47,092)
Business and other support services	109,743	-	5,826	-	(103,917)
Operation and maintenance of plant	314,836	6,000	15,802	76,627	(216,407)
Student transportation	121,113	-	-	-	(121,113)
Operation of noninstructional services	98,926	2,516	49,810	-	(46,600)
Total	\$ 1,662,327	\$ 8,516	\$ 479,252	\$ 76,627	(1,097,932)
General revenues:					
Property taxes					1,151,785
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					168,171
County equalization					17,640
Investment earnings					9,994
Other					7,284
Total general revenues					1,354,874
Change in net position					256,942
Net position - beginning					2,873,102
Net position - ending					\$ 3,130,044

See accompanying Notes to the Basic Financial Statements

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Special Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,244,170	\$ 8,905	\$ 37,517	\$ 1,290,592
Property taxes	31,564	-	-	31,564
Intergovernmental	-	38,128	2,164	40,292
Prepays	117,370	-	-	117,370
Due from other funds	2,164	-	-	2,164
Total Assets	\$ 1,395,268	\$ 47,033	\$ 39,681	\$ 1,481,982
LIABILITIES				
Accounts payable	\$ 4,954	\$ 1,278	\$ 696	\$ 6,928
Due to other funds	-	-	2,164	2,164
Accrued wages	21,524	594	5,750	27,868
Total Liabilities	26,478	1,872	8,610	36,960
DEFERRED INFLOWS OF RESOURCES				
Unavailable Revenues	31,173	-	-	31,173
FUND BALANCES				
Nonspendable	117,370	-	-	117,370
Restricted	-	45,161	31,071	76,232
Unassigned	1,220,247	-	-	1,220,247
Total Fund Balances	1,337,617	45,161	31,071	1,413,849
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,395,268	\$ 47,033	\$ 39,681	\$ 1,481,982

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
JUNE 30, 2022**

Total Fund Balance - Governmental Funds \$ 1,413,849

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	\$ 4,194,023	
Accumulated depreciation	<u>(1,908,965)</u>	2,285,058

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds: 31,173

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: 12,180

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:

Net pension liability	(522,954)	
Net OPEB liability	(665)	
Compensated absences	<u>(29,345)</u>	(552,964)

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:	170,183	
Deferred outflows of resources relating to OPEB:	3,181	
Deferred inflows of resources relating to pensions:	(223,348)	
Deferred inflows of resources relating to OPEB:	<u>(9,268)</u>	(59,252)

Total Net Position - Governmental Activities \$ 3,130,044

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Special Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
Property Taxes	\$ 1,151,749	\$ -	\$ -	\$ 1,151,749
Intergovernmental	185,811	395,137	155,942	736,890
Food Services Sales	-	-	2,516	2,516
Auxiliary Operations	-	-	2,400	2,400
Student Activities	-	-	6,408	6,408
Contributions and Donations	2,400	-	-	2,400
Investment Earnings	9,336	282	376	9,994
Other	6,876	-	-	6,876
Total Revenues	1,356,172	395,419	167,642	1,919,233
EXPENDITURES				
Current				
Instruction	565,979	162,098	36,285	764,362
Support Services:				
Students	3,335	58,737	-	62,072
Instructional Staff	76,793	147,488	7,861	232,142
General Administration	14,613	-	-	14,613
School Administration	49,331	-	-	49,331
Business and Other Support Services	108,359	5,808	-	114,167
Operations and Maintenance of Plant	295,295	15,754	-	311,049
Student Transportation	84,436	-	-	84,436
Operations of Noninstructional Services	39,786	4,321	50,599	94,706
Facilities Acquisition	18,022	-	76,627	94,649
Total Expenditures	1,255,949	394,206	171,372	1,821,527
Excess (Deficiency) of Revenues				
Over Expenditures	100,223	1,213	(3,730)	97,706
Fund Balance - Beginning	1,237,394	43,948	34,801	1,316,143
Fund Balance - Ending	\$ 1,337,617	\$ 45,161	\$ 31,071	\$ 1,413,849

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net Change in Fund Balances - Governmental Funds \$ 97,706

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: \$	249,864	
Depreciation expense:	<u>(124,682)</u>	125,182

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	36
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Governmental funds report pension/OPEB 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/OPEB.

Pension contributions	70,620
OPEB contributions	1,840
Pension expense	(34,987)
OPEB expense	1,789

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

Net decrease(increase) in compensated absences	<u>(5,244)</u>
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Change in Net Position of Governmental Activities \$ 256,942

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Sentinel Elementary School District No. 71 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows. During the year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*. This Statement establishes criteria for identifying and reporting lease activity. This implementation did not have a material effect on the District's financial statements and no leases were reported.

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 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 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 and fiduciary funds even though the latter are excluded from the government-wide financial statements. 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.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. General capital assets are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

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 Project Fund* accounts for the revenues and expenditures related to the Federal programs and State grants.

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.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 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

Maricopa 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 assessments attaches on the first day of January preceding assessment and levy thereof.

Prepays

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. Prepaid items are recorded as expenses when consumed in the government-wide financial statements and as expenditures when purchased in the fund financial statements.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

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

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

Asset Class	Years
Land Improvements	15-20 years
Buildings and Improvements	15-50 years
Furniture, Equipment, and Vehicles	5-20 Years

Deferred Outflows of Resources

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

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.

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.

Deferred Inflows of Resources

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

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pension and Other Postemployment Benefit Plans

For purposes of measuring the net pension and total other postemployment benefit (OPEB) liabilities, related deferred outflows of resources and deferred inflows of resources, and related expenses, information about the pension and OPEB plans' fiduciary net position and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

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 Balance

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. 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.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 fund balance classifications of the governmental funds as of June 30, 2022, were as follows:

	General Fund	Special Projects Fund	Non-Major Governmental Funds	Total Governmental Activities
Nonspendable				
Prepays	\$ 117,370	\$ -	\$ -	\$ 117,370
Restricted				
Teacher compensation and other qualified programs (A.R.S. 15-977)	-	-	5,735	5,735
Instructional improvement programs	-	-	6,132	6,132
Federal instructional programs	-	36,147	-	36,147
State instructional programs	-	9,014	-	9,014
Food services	-	-	11,815	11,815
Student activities	-	-	755	755
Extracurricular activities	-	-	6,634	6,634
Total restricted	-	45,161	31,071	76,232
Unassigned	1,220,247	-	-	1,220,247
Total	\$ 1,337,617	\$ 45,161	\$ 31,071	\$ 1,413,849

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. 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.

The District exceeded the Special Projects Fund budget during the current year by \$98,206. Budget capacity was available in other funds to net against this deficit.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS

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 had a carrying value of \$15,343 for cash on deposit with a local financial institution and a bank balance of \$15,343 on June 30, 2022. The District does not have a formal policy regarding custodial credit risk. However, the total bank balance was covered by FDIC insurance at fiscal year-end.

Investments

On June 30, 2022, the District's investments were reported at fair value. The District's investments consisted of \$1,275,249 held 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 any specific investment 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 values 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 investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

NOTE 4 – RECEIVABLES

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources. Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. On June 30, 2022, the District reported \$31,173 of deferred inflows related to delinquent property taxes.

NOTE 5 – INTERFUND RECEIVABLES/PAYABLES

On June 30, 2022, the District reported \$2,164 due to the Nonmajor Governmental Funds from the General Fund for deficit cash at fiscal year-end. Cash was received after the fiscal year to eliminate this deficit.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – 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	\$ 48,401	\$ -	\$ -	\$ 48,401
Construction in progress	220,438	6,069	-	226,507
Total Capital Assets not Being Depreciated	<u>268,839</u>	<u>6,069</u>	<u>-</u>	<u>274,908</u>
Capital assets being depreciated				
Land improvements	697,427	59,301	-	756,728
Buildings and improvements	2,236,809	155,250	-	2,392,059
Vehicles, equipment, and furniture	741,084	29,244	-	770,328
Total Capital Assets Being Depreciated	<u>3,675,320</u>	<u>243,795</u>	<u>-</u>	<u>3,919,115</u>
Less Accumulated Depreciation				
Land improvements	(324,407)	(38,079)	-	(362,486)
Buildings and improvements	(1,103,273)	(40,219)	-	(1,143,492)
Vehicles, equipment, and furniture	(356,603)	(46,384)	-	(402,987)
Total Accumulated Depreciation	<u>(1,784,283)</u>	<u>(124,682)</u>	<u>-</u>	<u>(1,908,965)</u>
Total Capital assets, being depreciated, net	<u>1,891,037</u>	<u>119,113</u>	<u>-</u>	<u>2,010,150</u>
Governmental Activities Capital Assets, Net	<u>\$ 2,159,876</u>	<u>\$ 125,182</u>	<u>\$ -</u>	<u>\$ 2,285,058</u>

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 67,121
Support Services:	
Students	4,306
Operations and Maintenance of Plant	7,976
Student Transportation	38,931
Operation of Noninstructional Services	6,348
	<u>\$ 124,682</u>

The District did not have any construction commitments at fiscal year-end.

NOTE 7 – LONG-TERM OBLIGATIONS

Compensated Absences

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2022, the District paid for compensated absences from the General Fund.

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	\$ 24,101	\$ 34,193	\$ (28,949)	\$ 29,345	\$ 29,345

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District is a member of the Arizona School Risk Retention Trust, Inc (ASRRT), together with other school districts in the state. ASRRT is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to ASRRT for its general insurance coverage. The agreement provides that ASRRT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

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

The District is a member of the Arizona School Alliance for Workers' Compensation, Inc. (the Alliance). The Alliance was established in 1996 and is structured as a self-insurance pool that is owned and governed by its members. The agreement provides that the Alliance will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior fiscal years.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

Federal grants

In the normal course of operations, the District receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by District officials to be material.

Litigation

Each year the District receives notices of claims for damages occurring generally from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against the District arising therefrom. The District has comprehensive general liability insurance with the ASRRT. The District is not aware of any litigation that might result in a materially adverse outcome.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – PENSION PLAN

Cost Sharing Pension Plan

On June 30, 2022, the District reported the following related to the pension plan to which it contributes:

	Net Pension Liability (Asset)	Net OPEB Liability (Asset)
Net assets	\$ -	\$ (12,180)
Net liability	522,954	665
Deferred outflows of resources	168,213	3,181
Deferred inflows of resources	221,549	11,067
Expense	36,957	(1,789)
Contributions	70,620	1,840

Arizona State Retirement System

Plan Description

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

Benefits Provided

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

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

**With actuarially reduced benefits.*

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – PENSION PLAN (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% (10.13% for retirement and 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, were \$70,620, \$870, and \$970, respectively.

During fiscal year 2022, the District paid for pension and OPEB contributions as follows: 91% from the General Fund and 9% from nonmajor governments funds.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – PENSION PLAN (CONTINUED)

Arizona State Retirement System (Continued)

Liability

On 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	\$ 522,954	0.00398%	-0.00055%
Health insurance premium benefit	(12,180)	0.00250%	-0.00048%
Long-term disability	665	0.00322%	-0.00036%

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 as noted above.

Expense

For the year ended June 30, 2022, the District recognized the following pension and OPEB expense.

	Pension/OPEB Expense
Pension	\$ 36,957
Health insurance premium benefit	(3,682)
Long-term disability	1,893

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – PENSION PLAN (CONTINUED)

Arizona State Retirement System (Continued)

Deferred Outflows/Inflows of Resources

On 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	\$ 7,972	\$ -	\$ 192
Changes of assumptions or other inputs	68,067	604	213
Changes in proportion and differences between contributions and proportionate share of contributions	21,554	166	166
Contributions subsequent to the measurement date	70,620	870	970
Total	\$ 168,213	\$ 1,640	\$ 1,541

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ -	\$ 4,224	\$ 54
Changes of assumptions or other inputs	-	492	838
Net difference between projected and actual earnings on pension plan investments	165,690	4,518	460
Changes in proportion and differences between contributions and proportionate share of contributions	55,859	34	447
Total	\$ 221,549	\$ 9,268	\$ 1,799

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	\$ (5,751)	\$ (1,999)	\$ (176)
2024	(24,581)	(1,911)	(169)
2025	(36,526)	(2,098)	(186)
2026	(57,098)	(2,314)	(258)
2027	-	(176)	(130)
Thereafter	-	-	(309)
Total	\$ (123,956)	\$ (8,498)	\$ (1,228)

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – PENSION PLAN (CONTINUED)

Arizona State Retirement System (Continued)

Actuarial Assumptions

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

	Health Insurance Premium		
	Pensions	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
Asset valuation	Fair value	Fair value	Fair value
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 rate	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/OPEB 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 geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Expected	
	Target Allocation	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	100%	

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 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.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – PENSION PLAN (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.

	Proportionate share of the net liability (asset)		
	Current		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Pension	\$ 822,563	\$ 522,954	\$ 273,163
Health insurance premium benefit	(8,065)	(12,180)	(15,680)
Long-term disability	866	665	470

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 \$2,644 of outstanding pension and OPEB contribution amounts payable to ASRS for the year ended June 30, 2022.

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual (Budgetary Basis)	Variances - Final to Actual
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 655,870	\$ 655,870
Intergovernmental	-	-	174,700	174,700
Investment earnings	-	-	8,401	8,401
Total Revenues	-	-	838,971	838,971
EXPENDITURES				
Regular education				
Instruction	531,630	545,650	454,736	90,914
Support services - students	3,600	3,600	-	3,600
Support services - instructional staff	56,705	56,705	68,280	(11,575)
Support services - general administration	21,500	21,500	14,613	6,887
Support services - school administration	56,637	56,637	49,331	7,306
Support services - business and other	124,624	124,624	108,359	16,265
Operations and maintenance of plant	258,693	258,963	243,946	15,017
Operation of noninstructional services	70,167	70,167	39,786	30,381
Total regular education	1,123,556	1,137,846	979,051	158,795
Special education				
Instruction	50,845	50,845	49,560	1,285
Support services - students	9,500	9,500	3,335	6,165
Support services - instructional staff	-	-	750	(750)
Total special education	60,345	60,345	53,645	6,700
Pupil transportation				
Student transportation services	138,524	138,524	84,436	54,088
K-3 reading program				
Instruction	2,626	2,626	2,626	-
Total Expenditures	1,325,051	1,339,341	1,119,758	219,583
Excess (Deficiency) of Revenues				
Over Expenditures	(1,325,051)	(1,339,341)	(280,787)	1,058,554
Fund Balance - Beginning	-	-	1,071,298	1,071,298
Fund Balance - Ending	\$ (1,325,051)	\$ (1,339,341)	\$ 790,511	\$ 2,129,852

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>		<u>Final to Actual</u>
REVENUES				
Intergovernmental	\$ -	\$ -	395,137	\$ 395,137
Investment earnings	-	-	282	282
Total Revenues	-	-	395,419	395,419
EXPENDITURES				
Regular education				
Instruction	58,147	113,984	151,801	(37,817)
Support services - students	22,499	44,104	58,737	(14,633)
Support services - instructional staff	56,495	110,745	147,488	(36,743)
Support services - business and other	2,225	4,361	5,808	(1,447)
Operations and maintenance of plant	6,035	11,829	15,754	(3,925)
Operation of noninstructional services	1,655	3,245	4,321	(1,076)
Total regular education	147,056	288,268	383,909	(95,641)
Special education				
Instruction	3,944	7,732	10,297	(2,565)
Total Expenditures	151,000	296,000	394,206	(98,206)
Excess (Deficiency) of Revenues				
Over Expenditures	(151,000)	(296,000)	1,213	297,213
Fund Balance - Beginning	-	-	43,948	43,948
Fund Balance - Ending	\$ (151,000)	\$ (296,000)	\$ 45,161	\$ 341,161

**SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
COST SHARING PENSION PLAN
YEAR ENDED 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	0.00398%	0.00453%	0.00410%	0.00420%	0.00450%	0.00400%	0.00450%	0.00460%
Proportionate share of the net pension liability	\$ 522,954	\$ 784,891	\$ 592,232	\$ 584,358	\$ 694,781	\$ 647,254	\$ 699,226	\$ 684,209
Covered payroll	\$ 528,915	\$ 528,915	\$ 464,589	\$ 419,679	\$ 435,455	\$ 432,286	\$ 375,372	\$ 428,046
Proportionate share of the net pension liability as a percentage of its covered payroll	98.87%	148.40%	127.47%	139.24%	159.55%	149.73%	186.28%	159.84%
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	\$ 70,620	\$ 52,176	\$ 56,492	\$ 49,270	\$ 45,745	\$ 46,942	\$ 46,903	\$ 40,878
Contributions in relation to the actuarially determined contribution	70,620	52,176	56,492	49,270	45,745	46,942	46,903	40,878
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 652,452	\$ 528,915	\$ 528,915	\$ 464,589	\$ 419,679	\$ 435,455	\$ 432,286	\$ 428,046
Contributions as a percentage of covered payroll	10.82%	9.86%	10.68%	10.61%	10.90%	10.78%	10.85%	10.42%

See accompanying Notes to Required Supplementary Information

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

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

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

Consequently, the following adjustments are necessary to present the General Fund actual revenues, expenditures, other financing sources (uses), and fund balance on June 30, 2022 on a budgetary basis in order to provide a meaningful comparison.

	General Fund				
	Total	Total	Other Financing Sources and Uses	Fund balance beginning of year	Fund balance end of year
	Revenues	Expenditures	Uses	year	end of year
Statement of revenues, expenditures and changes in fund balance	\$ 1,356,172	\$ 1,255,949	\$ -	\$ 1,237,394	\$ 1,337,617
Non-maintenance and operation activity included in the General Fund	(517,201)	(136,191)	-	(166,096)	(547,106)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	<u>\$ 838,971</u>	<u>\$ 1,119,758</u>	<u>\$ -</u>	<u>\$ 1,071,298</u>	<u>\$ 790,511</u>



**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
Sentinel Elementary School District No. 71
Sentinel, 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 Sentinel Elementary School District No. 71 (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 9, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

SENTINEL ELEMENTARY SCHOOL DISTRICT NO. 71
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sentinel Elementary School District No. 71'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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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



Scottsdale, Arizona
March 9, 2023