
**MORRISTOWN ELEMENTARY
SCHOOL DISTRICT NO. 75**

**ANNUAL FINANCIAL REPORT AND
INTERNAL CONTROL COMMUNICATION**

FISCAL YEAR ENDED JUNE 30,2022



MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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JUNE 30, 2022

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INDEPENDENT AUDITORS' REPORT

Governing Board
Morristown Elementary School District No. 75
Morristown, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morristown Elementary School District No. 75 (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 Morristown Elementary School District No. 75, 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 20, 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 20, 2023

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75 MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A) YEAR ENDED JUNE 30, 2022

As management of the Morristown Elementary School District No. 75, 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 decreased by \$133,582. This represents a 5% decrease from fiscal year 2021.
- General revenues accounted for \$1,567,306 in revenue, or 69% of all fiscal year 2022 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for \$710,979 or 31% of the 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 \$966,652, a decrease of \$1,799 in comparison with the prior year.
- At the end of fiscal year 2022, the unassigned fund balance for the General Fund was \$627,902, or 38% of total General Fund expenditures.
- Total debt of the District increased by \$6,069 during fiscal year 2022. The reason for this change was attributed to increases in the compensated absences liability.

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.

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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, Special Projects Fund, Other Special Revenue Fund, and the Building Renewal Grant Fund, which are considered major funds. Data from the other four 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 13 - 16 of this report.

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.

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

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, Special Projects, and Other Special Revenue Fund budgetary comparison schedules as RSI other than the MD&A which can be found starting on page 32 of this report. Notes to the RSI are presented on page 36.

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 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 \$2,628,957 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	\$ 1,220,885	\$ 1,210,779	\$ 10,106
Capital assets	2,722,208	2,792,557	(70,349)
Deferred outflows	410,794	287,767	123,027
Total Assets and Deferred Outflows	4,353,887	4,291,103	62,784
LIABILITIES AND DEFERRED INFLOWS			
Current liabilities	181,951	210,214	(28,263)
Long-term liabilities	1,146,705	1,294,394	(147,689)
Deferred inflows	396,274	23,956	372,318
Total Liabilities and Deferred Inflows	1,724,930	1,528,564	196,366
NET POSITION			
Investment in capital assets	2,722,208	2,792,557	(70,349)
Restricted	385,704	313,704	72,000
Unrestricted	(478,955)	(343,722)	(135,233)
Total Net Position	\$ 2,628,957	\$ 2,762,539	\$ (133,582)

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.

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

Government-Wide Financial Analysis (Continued)

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. The District reported a negative balance 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) Statements No. 68.

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2022, and 2021, were \$2,278,285 and \$2,339,865, respectively. The total cost of all programs and services for the fiscal years ended June 30, 2022, and 2021 were \$2,411,867 and \$2,312,177, 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	\$ 11,452	\$ 1,959	\$ 9,493
Operating grants and contributions	699,527	490,980	208,547
Capital grants and contributions	-	255,970	(255,970)
General revenues			
Property taxes	755,350	749,243	6,107
State equalization and additional state aid	740,074	756,868	(16,794)
County equalization	65,086	71,047	(5,961)
Interest and other	6,796	13,798	(7,002)
Total Revenues	2,278,285	2,339,865	(61,580)
EXPENSES			
Instruction	1,389,610	1,362,932	26,678
Support Services			
Students and instructional staff	183,377	132,568	50,809
General and school administration	202,259	170,853	31,406
Business and other support services	140,874	141,121	(247)
Operation and maintenance of plant	245,879	263,117	(17,238)
Operation of noninstructional services	167,112	131,963	35,149
Student transportation	82,756	109,623	(26,867)
Total Expenses	2,411,867	2,312,177	99,690
Change in net position	(133,582)	27,688	(161,270)
Net Position - Beginning	2,762,539	2,734,851	27,688
Net Position - Ending	\$ 2,628,957	\$ 2,762,539	\$ (133,582)

Program Revenues

Charges for services increased \$9,493 during the current year, mainly due to increased food sales and student events that were put on hold in previous years due to the COVID-19 pandemic.

Operating grants and contributions increased by \$208,547 (42%) due to additional federal grant funding related to the COVID-19 pandemic through Education Stabilization Funds.

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

Program Revenues (Continued)

Capital grants and contributions decreased due to SFB projects being completed and new projects yet to be funded.

General Revenues

The District experienced an increase of \$6,107 in property tax revenue as a result of an increase in assessed valuations.

State and county equalization and additional state aid decreased \$22,755 (-3%) due to changes in the state's budget formula.

The decrease in interest and other was due to a decline in investment income and miscellaneous receipts.

The District incurred a 4% increase in expenses in the current year. The increase was mainly due to increases in salaries and related benefits and purchased services.

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 \$966,652, a decrease of \$1,799 in comparison with the prior year. Approximately 60% of this total amount (\$580,948) 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.

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

	Balance	Increase (Decrease) From 2020-21
GOVERNMENTAL FUND		
General Fund	\$ 627,902	\$ (40,331)
Special Projects Fund	41,344	14,307
Other Special Revenue Fund	143,916	(5,087)
Building Renewal Grant Fund	(46,954)	(33,468)
Nonmajor Governmental Funds	200,444	62,780

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

The General Fund experienced a decrease of \$40,331 primarily due to increases in salaries and related benefits and a decrease in state equalization and additional state aid.

The increase of \$14,307 in the Special Projects Fund was due to new grant funding related to COVID-19, which will be spent in future periods.

The changes in the Other Special Revenue Fund and Building Renewal Grant Fund were not considered significant.

The decrease of \$33,468 in the Building Renewal Grant Fund was due to ongoing SFB projects that will be reimbursed in future periods.

The increase of \$62,780 in Nonmajor Governmental Funds was primarily due to increases in classroom site fund funding and federal food service funding.

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 10% increase. The \$157,267 increase was primarily due to the increases in regular education – instruction and regular education – business and other services for the fiscal year. The District's expenditures were 7% less than budget during the current year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, Special Projects Fund, and Other Special Revenue 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 \$2,722,208 (net of accumulated depreciation). This investment in capital assets includes construction in progress, land and improvements, buildings and improvements, vehicles, equipment, and furniture. The net decrease in the District's investment in capital assets for the current fiscal year was \$70,349. This decrease was mainly due to depreciation exceeding capital asset acquisitions during the current fiscal year.

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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:

- Grading and drainage project
- Technology equipment

	Governmental Activities		
	2022	2021	Net Change
CAPITAL ASSETS			
Construction in progress	\$ 281,000	\$ 249,500	\$ 31,500
Land improvements	31,122	34,676	(3,554)
Buildings & improvements	2,027,602	2,103,891	(76,289)
Vehicles, equipment, and furniture	382,484	404,490	(22,006)
Total Capital Assets	\$ 2,722,208	\$ 2,792,557	\$ (70,349)

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

Debt Administration

The District's outstanding long-term debt was limited to its compensated absences liability and pension/OPEB liabilities. Additional information on the District's compensated absences can be found in Note 6 of this report. Additional information on the net pension/OPEB liabilities and assets can be found in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Increase in student population.
- Increases to salaries and benefits.
- Budget balance carryforward considerations.

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 Morristown Elementary School District No. 75, 25950 Rockaway Hills Drive, Morristown, AZ 85342 or contact the District via its website www.morristowneld75.org.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,023,269
Property taxes receivable	42,968
Due from other governments	112,847
Deposits	583
Net OPEB asset	41,218
Capital assets, not depreciated	281,000
Capital assets, net of accumulated depreciation	2,441,208
Total Assets	3,943,093
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	402,652
Deferred outflows related to OPEB	8,142
Total Deferred Outflows of Resources	410,794
LIABILITIES	
Accounts payable	106,030
Accrued wages and benefits	75,921
Long-term liabilities:	
Due in more than one year	42,558
Net OPEB liability	1,738
Net pension liability	1,102,409
Total Liabilities	1,328,656
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	360,629
Deferred inflows related to OPEB	35,645
Total Deferred Inflows of Resources	396,274
NET POSITION	
Net investment in capital assets	2,722,208
Restricted:	
Teacher compensation and other qualified programs (A.R.S 15-977)	91,478
Instructional improvement programs	43,555
Federal instructional programs	10,990
State instructional programs	30,354
Food service	61,171
Community programs	14,559
Extracurricular activities	129,357
Capital projects	4,240
Unrestricted	(478,955)
Total Net Position	\$ 2,628,957

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 1,389,610	480	\$ 425,157	\$ -	\$ (963,973)
Support services:					
Students	134,214	-	75,598	-	(58,616)
Instructional staff	49,163	-	9,840	-	(39,323)
General administration	73,325	-	-	-	(73,325)
School administration	128,934	-	5,431	-	(123,503)
Business and other support services	140,874	-	-	-	(140,874)
Operation and maintenance of plant	245,879	-	4,960	-	(240,919)
Student transportation	82,756	-	3,094	-	(79,662)
Operation of noninstructional services	167,112	10,972	175,447	-	19,307
Total	\$ 2,411,867	\$ 11,452	\$ 699,527	\$ -	(1,700,888)
General revenues:					
Property taxes					755,350
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					740,074
County equalization					65,086
Investment earnings					6,587
Other					209
Total general revenues					1,567,306
Change in net position					(133,582)
Net position - beginning					2,762,539
Net position - ending					\$ 2,628,957

See accompanying Notes to the Basic Financial Statements

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	Special Projects Fund	Other Special Revenue Fund	Building Renewal Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 612,663	\$ 34,797	\$ 144,139	\$ -	\$ 231,670	\$ 1,023,269
Receivables						
Property taxes	42,968	-	-	-	-	42,968
Intergovernmental	2,181	15,383	-	87,040	8,243	112,847
Deposits	-	-	-	-	583	583
Due from other funds	133,994	-	-	-	-	133,994
Total Assets	\$ 791,806	\$ 50,180	\$ 144,139	\$ 87,040	\$ 240,496	\$ 1,313,661
LIABILITIES						
Accounts payable	\$ 104,031	\$ 520	\$ 223	\$ -	\$ 1,256	\$ 106,030
Due to other funds	-	-	-	133,994	-	133,994
Accrued wages	28,809	8,316	-	-	38,796	75,921
Total Liabilities	132,840	8,836	223	133,994	40,052	315,945
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	31,064	-	-	-	-	31,064
FUND BALANCES						
Restricted	-	41,344	143,916	-	200,444	385,704
Unassigned	627,902	-	-	(46,954)	-	580,948
Total Fund Balances	627,902	41,344	143,916	(46,954)	200,444	966,652
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 791,806	\$ 50,180	\$ 144,139	\$ 87,040	\$ 240,496	\$ 1,313,661

See accompanying Notes to the Basic Financial Statements

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF
NET POSITION
JUNE 30, 2022**

Total Fund Balance - Governmental Funds \$ 966,652

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	\$ 4,503,167	
Accumulated depreciation	(1,780,959)	2,722,208

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds: 31,064

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: 41,218

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	(1,102,409)	
Net OPEB liability	(1,738)	
Compensated absences	(42,558)	(1,146,705)

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:	402,652	
Deferred inflows of resources relating to pensions:	(360,629)	
Deferred outflows of resources relating to OPEB:	8,142	
Deferred inflows of resources relating to OPEB:	(35,645)	14,520

Total Net Position - Governmental Activities \$ 2,628,957

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	Special Projects Fund	Other Special Revenue Fund	Building Renewal Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	\$ 756,400	\$ -	\$ -	\$ -	\$ -	\$ 756,400
Intergovernmental	818,246	396,683	-	-	264,860	1,479,789
Charges for Services	-	-	480	-	-	480
Food Services Sales	-	-	-	-	3,456	3,456
Auxiliary Operations	7,516	-	-	-	-	7,516
Contributions and Donations	12,698	-	12,200	-	-	24,898
Investment Earnings (loss)	5,678	286	1,183	(1,969)	1,409	6,587
Other	209	-	-	-	-	209
Total Revenues	1,600,747	396,969	13,863	(1,969)	269,725	2,279,335
EXPENDITURES						
Current						
Instruction	945,542	264,896	16,561	-	61,652	1,288,651
Support Services:						
Students	59,507	69,655	-	-	-	129,162
Instructional Staff	38,513	8,425	530	-	520	47,988
General Administration	73,865	-	-	-	-	73,865
School Administration	119,315	5,004	-	-	-	124,319
Business and Other Support Services	158,319	-	-	-	-	158,319
Operations and Maintenance of Plant	210,857	4,570	-	-	-	215,427
Student Transportation	49,140	600	1,859	-	-	51,599
Operations of Noninstructional Services	16,263	24,406	-	-	119,636	160,305
Capital Outlay:						
Facilities Acquisition	-	-	-	31,499	-	31,499
Total Expenditures	1,671,321	377,556	18,950	31,499	181,808	2,281,134
Excess (Deficiency) of Revenues Over Expenditures	(70,574)	19,413	(5,087)	(33,468)	87,917	(1,799)
Other Financing Sources (Uses)						
Transfers in	30,243	-	-	-	-	30,243
Transfers out	-	(5,106)	-	-	(25,137)	(30,243)
Net Financing Sources (Uses)	30,243	(5,106)	-	-	(25,137)	-
NET CHANGE IN FUND BALANCE	(40,331)	14,307	(5,087)	(33,468)	62,780	(1,799)
Fund Balance - Beginning	668,233	27,037	149,003	(13,486)	137,664	968,451
Fund Balance - Ending	\$ 627,902	\$ 41,344	\$ 143,916	\$ (46,954)	\$ 200,444	\$ 966,652

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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 \$ (1,799)

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:	\$ 51,815	
Depreciation expense:	<u>(122,164)</u>	(70,349)

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	(1,050)
----------------	---------

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	127,704
Pension expense	(193,995)
OPEB contributions	4,205
OPEB expense	7,771

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>(6,069)</u>
Change in Net Position of Governmental Activities	<u>(133,582)</u>

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Morristown Elementary School District No. 75 (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.

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.

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.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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)

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

Other Special Revenue Fund - accounts for the revenues and expenditures of the following activities or objectives: civic center, community school, extracurricular activity fee tax credit, fingerprinting, textbooks, and grants and gifts to teachers.

The *Building Renewal Grant Fund* accounts for the revenues and expenditures of state-funded projects through the School Facilities Board (SFB).

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.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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. authorizes 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.

Intergovernmental Receivable

Intergovernmental receivables are comprised of federal grants (\$23,247), state grants (\$2,560), and SFB funding (\$87,040).

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.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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 are carried at historical cost or estimated historical cost. Contributed assets are recorded at acquisition value. Additions, improvements, and other capital outlay 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:

<u>Asset Class</u>	<u>Years</u>
Land Improvements	10-50 years
Buildings and Improvements	5-50 years
Vehicles, Furniture, and Equipment	5-25 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.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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)

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.

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.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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)

Fund Balance (Continued)

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

	General Fund	Special Projects Fund	Other Special Revenue Fund	Building Renewal Grant Fund	Non-Major Governmental Funds	Total Governmental Activities
Restricted						
Teacher compensation and other qualified programs (A.R.S. 15-977)	\$ -	\$ -	\$ -	\$ -	\$ 91,478	\$ 91,478
Instructional improvement programs	-	-	-	-	43,555	43,555
Federal instructional programs	-	10,990	-	-	-	10,990
State instructional programs	-	30,354	-	-	-	30,354
Food services	-	-	-	-	61,171	61,171
Community programs	-	-	14,559	-	-	14,559
Extracurricular activities	-	-	129,357	-	-	129,357
Capital projects	-	-	-	-	4,240	4,240
Total restricted	-	41,344	143,916	-	200,444	385,704
Unassigned	627,902	-	-	(46,954)	-	580,948
Total	\$ 627,902	\$ 41,344	\$ 143,916	\$ (46,954)	\$ 200,444	\$ 966,652

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.

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

An annual budget of revenue from all sources for the fiscal year is not prepared.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits:	
Cash in bank	\$ 917
Investments:	
Cash on deposit with county treasurer	1,022,352
Total cash and cash equivalents	<u>\$ 1,023,269</u>

Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At June 30, 2022, the carrying amount of the District’s deposits was \$917 and the bank balance was \$917. 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.

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

Credit Risk – The District has no investment policy that would further limit its investment choices. As of 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.

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

NOTE 4 – 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.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – UNAVAILABLE REVENUE (CONTINUED)

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. At the end of the current fiscal year, the District reported \$31,064 of unavailable revenues as deferred inflows of resources from delinquent property tax payments.

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				
Construction in progress	\$ 249,500	\$ 31,500	\$ -	\$ 281,000
Total Capital Assets not Being Depreciated	249,500	31,500	-	281,000
Capital assets being depreciated				
Land improvements	153,453	-	-	153,453
Buildings and improvements	3,400,323	-	-	3,400,323
Vehicles, equipment, and furniture	648,076	20,315	-	668,391
Total Capital Assets Being Depreciated	4,201,852	20,315	-	4,222,167
Less Accumulated Depreciation				
Land improvements	(118,777)	(3,554)	-	(122,331)
Buildings and improvements	(1,296,432)	(76,289)	-	(1,372,721)
Vehicles, equipment, and furniture	(243,586)	(42,321)	-	(285,907)
Total Accumulated Depreciation	(1,658,795)	(122,164)	-	(1,780,959)
Total Capital assets, being depreciated, net	2,543,057	(101,849)	-	2,441,208
Governmental Activities Capital Assets, Net	\$ 2,792,557	\$ (70,349)	\$ -	\$ 2,722,208

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 57,322
Support Services:	
Students	1,639
General Administration	1,035
Business and Other Support Services	2,709
Operations and Maintenance of Plant	27,253
Student Transportation	30,128
Operation of Noninstructional Services	2,078
	<u>\$ 122,164</u>

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

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – OBLIGATIONS UNDER LONG-TERM LIABILITIES

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	\$ 36,489	\$ 29,787	\$ (23,718)	\$ 42,558	\$ -

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 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 and dental insurance, the District participates in the Kairos Health Arizona. The trust is a public entity risk-sharing and insurance purchasing pool. If the pool becomes either insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the District may be assessed an additional amount not to exceed the original required annual contribution to the pool.

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.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLANS

Cost Sharing Pension Plan

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

	Net Pension Liability (Asset)	Net OPEB Liability (Asset)
Net assets	\$ -	\$ (41,218)
Net liability	1,102,409	1,738
Deferred outflows of resources	402,652	8,142
Deferred inflows of resources	360,629	35,645
Expense	193,995	(7,772)
Contributions	127,704	4,205

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 website at www.azasrs.gov.

Benefits Provided

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

	Retirement Initial Membership Date:	
	Before July 1, 2011	On or After July 1, 2011
Years of service and age required to receive benefit	Sum of years and 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.*

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT 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% (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 \$127,704, \$2,199, and \$2,006, respectively.

During fiscal year 2022, the District paid for pension and OPEB contributions as follows: 64% from the General Fund, 25% from the Special Projects Fund, 1% from the Other Special Revenue Fund, and 10% from nonmajor governments funds.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLANS (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	\$ 1,102,409	0.00839%	0.00113%
Health insurance premium benefit	(41,218)	0.00846%	0.00102%
Long-term disability	1,738	0.00842%	0.00106%

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	\$ 193,995
Health insurance premium benefit	(11,627)
Long-term disability	3,856

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Deferred Outflows/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	\$ 16,805	\$ -	\$ 502
Changes of assumptions or other inputs	143,487	2,043	556
Changes in proportion and differences between contributions and proportionate share of contributions	114,656	13	823
Contributions subsequent to the measurement date	127,704	2,199	2,006
Total	\$ 402,652	\$ 4,255	\$ 3,887

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ -	\$ 14,294	\$ 142
Changes of assumptions or other inputs	-	1,666	2,190
Net difference between projected and actual earnings on pension plan investments	349,282	15,290	1,204
Changes in proportion and differences between contributions and proportionate share of contributions	11,347	396	463
Total	\$ 360,629	\$ 31,646	\$ 3,999

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	\$ 53,414	\$ (6,949)	\$ (309)
2024	58,269	(6,655)	(288)
2025	(76,999)	(7,278)	(331)
2026	(120,365)	(8,037)	(513)
2027	-	(671)	(106)
Thereafter	-	-	(571)
Total	\$ (85,681)	\$ (29,590)	\$ (2,118)

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLANS (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	<u>100%</u>	

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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.

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	\$ 1,733,997	\$ 1,102,409	\$ 575,839
Health insurance premium benefit	(27,290)	(41,218)	(53,061)
Long-term disability	2,263	1,738	1,230

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 \$4,463 of outstanding pension contribution amounts payable to ASRS for the year ended June 30, 2022.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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	\$ -	\$ -	\$ 702,589	\$ 702,589
Intergovernmental	-	-	740,272	740,272
Investment earnings	-	-	7,615	7,615
Other	-	-	447	447
Total Revenues	-	-	1,450,923	1,450,923
EXPENDITURES				
Regular education				
Instruction	772,338	865,347	785,059	80,288
Support services - students	31,200	36,343	33,714	2,629
Support services - instructional staff	16,500	28,662	30,677	(2,015)
Support services - general administration	70,200	47,183	47,020	163
Support services - school administration	91,700	112,172	112,025	147
Support services - business and other	71,775	119,007	105,814	13,193
Operations and maintenance of plant	241,150	209,642	192,515	17,127
Operation of noninstructional services	3,700	1,713	15,314	(13,601)
Total regular education	1,298,563	1,420,069	1,322,138	97,931
Special education				
Instruction	61,400	116,138	112,658	3,480
Support services - students	52,500	39,115	11,656	27,459
Support services - instructional staff	-	5,852	16,274	(10,422)
Total special education	113,900	161,105	140,588	20,517
Pupil transportation				
Student transportation services	62,800	51,418	49,140	2,278
K-3 reading program				
Instruction	20,100	20,038	20,037	1
Total Expenditures	1,495,363	1,652,630	1,531,903	120,727
Excess (Deficiency) of Revenues				
Over Expenditures	(1,495,363)	(1,652,630)	(80,980)	1,571,650
Fund Balance - Beginning	-	-	866,309	866,309
Fund Balance - Ending	\$ (1,495,363)	\$ (1,652,630)	\$ 785,329	\$ 2,437,959

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variances -
	Original	Final		Final to Actual
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 396,683	\$ (396,683)
Investment earnings	-	-	286	286
Total Revenues	-	-	396,969	(396,397)
EXPENDITURES				
Regular education:				
Instruction	301,443	372,928	232,208	140,720
Support services - students	87,795	108,614	67,630	40,984
Support services - instructional staff	10,937	13,531	8,425	5,106
Support services - school administration	6,496	8,036	5,004	3,032
Operations and maintenance of plant	5,933	7,339	4,570	2,769
Operation of noninstructional services	31,683	39,196	24,406	14,790
Total regular education:	444,286	549,645	342,243	207,402
Special education:				
Instruction	41,670	51,551	32,099	19,452
Support services - students	2,629	3,252	2,025	1,227
Total special education:	44,298	54,803	34,124	20,679
K-3 reading program				
Instruction	765	946	589	357
Pupil transportation:				
Student transportation services	779	964	600	364
Total Expenditures	490,128	606,358	377,556	228,802
Excess (Deficiency) of Revenues				
Over Expenditures	(490,128)	(606,358)	19,413	(167,595)
Other Financing Sources (Uses):				
Transfers out	-	-	(5,106)	(5,106)
NET CHANGE IN FUND BALANCE	(490,128)	(606,358)	14,307	620,665
Fund Balance - Beginning	-	-	27,037	27,037
Fund Balance - Ending	\$ (490,128)	\$ (606,358)	\$ 41,344	\$ 647,702

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
BUDGETARY COMPARISON SCHEDULE FOR THE OTHER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Actual	Variances -
	Original	Final		Final to Actual
REVENUES				
Auxiliary operations	\$ -	\$ -	480	\$ (480)
Contributions and donations	-	-	12,200	(12,200)
Investment earnings	-	-	1,183	1,183
Total Revenues	-	-	13,863	(11,497)
EXPENDITURES				
Regular education:				
Instruction	133,803	131,572	15,263	116,309
Support services - instructional staff	4,646	4,569	530	4,039
School sponsored athletics	11,379	11,189	1,298	9,891
Total regular education:	149,828	147,330	17,091	130,239
Pupil transportation:				
Student transportation services	16,297	16,025	1,859	14,166
Total Expenditures	166,125	163,355	18,950	144,405
Excess (Deficiency) of Revenues				
Over Expenditures	(166,125)	(163,355)	(5,087)	132,908
Fund Balance - Beginning	-	-	149,003	149,003
Fund Balance - Ending	\$ (166,125)	\$ (163,355)	\$ 143,916	\$ 307,271

**MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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	0.00839%	0.0073%	0.0100%	0.0100%	0.0100%	0.0100%	0.0100%	0.0100%
Proportionate share of the net pension liability	\$ 1,102,409	\$ 1,257,905	\$ 1,091,337	\$ 909,311	\$ 1,296,094	\$ 1,318,720	\$ 1,199,893	\$ 1,102,211
Covered payroll	\$ 950,497	\$ 815,720	\$ 803,362	\$ 676,058	\$ 824,174	\$ 759,594	\$ 724,215	\$ 694,355
Proportionate share of the net pension liability as a percentage of its covered payroll	115.98%	154.21%	135.85%	134.50%	157.26%	173.61%	165.68%	158.74%
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	\$ 127,704	\$ 109,968	\$ 91,831	\$ 88,458	\$ 72,236	\$ 83,077	\$ 82,416	\$ 78,867
Contributions in relation to the actuarially determined contribution	127,704	109,968	91,831	88,458	72,236	83,077	82,416	78,867
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 1,072,646	\$ 950,497	\$ 815,720	\$ 803,362	\$ 676,058	\$ 824,174	\$ 759,594	\$ 724,215
Contributions as a percentage of covered payroll	11.91%	11.57%	11.26%	11.01%	10.68%	10.08%	10.85%	10.89%

See accompanying Notes to Required Supplementary Information

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
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 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	\$ 1,600,747	\$ 1,671,321	\$ -	\$ 668,233	\$ 627,902
Non-maintenance and operation activity included in the General Fund	(149,824)	(139,418)	-	198,076	187,670
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	<u>\$ 1,450,923</u>	<u>\$ 1,531,903</u>	<u>\$ -</u>	<u>\$ 866,309</u>	<u>\$ 815,572</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
Morristown Elementary School District No. 75
Morristown, 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 Morristown Elementary School District No. 75, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Morristown Elementary School District No. 75's basic financial statements, and have issued our report thereon dated March 20, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Morristown Elementary School District No. 75's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Morristown Elementary School District No. 75's internal control. Accordingly, we do not express an opinion on the effectiveness of Morristown Elementary School District No. 75's internal control.

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

Our consideration of 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 Morristown Elementary School District No. 75'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*.

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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 20, 2023