



Quartzsite Elementary School District No. 4
Financial Statements
Year Ended June 30, 2022

Quartzsite Elementary School District No. 4

Financial Statements Year Ended June 30, 2022

Issued by:
Business and Finance Department

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4

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REPORT ON AUDIT OF FINANCIAL STATEMENTS

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Independent Auditor's Report

Governing Board
Quartzsite Elementary School District No. 4

Report on Audit of Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quartzsite Elementary School District No. 4 (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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Quartzsite Elementary School District No. 4, as of June 30, 2022, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of Quartzsite Elementary School District No. 4 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.

Change in Accounting Principle

As described in Note 1, the District implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for the year ended June 30, 2022, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

Other Matters

Required Supplementary Information

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

Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2023, on our consideration of Quartzsite Elementary School District No. 4's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Quartzsite Elementary School District No. 4's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Quartzsite Elementary School District No. 4's internal control over financial reporting and compliance.

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
March 29, 2023

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

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**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

As management of the Quartzsite Elementary School District No. 4 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2022. The management's discussion and analysis is presented as required supplementary information to supplement the basic financial statements.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities increased \$213,501 which represents a six percent increase from the prior fiscal year as a result of an increase of capital grants and contributions revenue related to projects funded by the School Facilities Board.
- General revenues accounted for \$1.7 million in revenue, or 65 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$910,413 or 35 percent of total current fiscal year revenues.
- The District had approximately \$2.4 million in expenses related to governmental activities, an increase of 11 percent from the prior fiscal year.
- Among major funds, the General Fund had \$1.4 million current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$1.4 million in expenditures. The General Fund's fund balance increased from \$297,210 at the prior fiscal year end, to \$325,383 at the end of the current fiscal year.

OVERVIEW OF FINANCIAL STATEMENTS

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

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

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

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

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

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

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District are reported as governmental funds.

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

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

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, Classroom Site, Title I Grants, Special Education Grants, Other Federal Projects, Building Renewal Grant, and Unrestricted Capital Outlay Funds, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the District's budget process and pension plan. The District adopts an annual expenditure budget for all governmental funds. A schedule of revenues, expenditures and changes in fund balances – budget and actual has been provided for the General Fund and major Special Revenue Funds as required supplementary information. Schedules for the pension plan have also been provided as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the District, assets and deferred outflows exceeded liabilities and deferred inflows by \$3.6 million at the current fiscal year end.

The largest portion of the District's positive net position reflects its investment in capital assets (e.g., land improvements, buildings and improvements, vehicles, furniture and equipment, and construction in progress), less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related outstanding 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. In addition, a portion of the District's net position represents resources that are subject to external restrictions on how they may be used.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	As of <u>June 30, 2022</u>	As of <u>June 30, 2021</u>
Current and other assets	\$ 709,244	\$ 572,864
Capital assets, net	4,527,157	4,362,900
Total assets	<u>5,236,401</u>	<u>4,935,764</u>
 Deferred outflows	 <u>276,460</u>	 <u>290,279</u>
 Current and other liabilities	 221,201	 48,670
Long-term liabilities	<u>1,229,738</u>	<u>1,748,754</u>
Total liabilities	<u>1,450,939</u>	<u>1,797,424</u>
 Deferred inflows	 <u>458,649</u>	 <u>38,847</u>
 Net position:		
Net investment in capital assets	4,496,965	4,303,772
Restricted	407,769	294,289
Unrestricted	<u>(1,301,461)</u>	<u>(1,208,289)</u>
Total net position	<u>\$ 3,603,273</u>	<u>\$ 3,389,772</u>

At the end of the current fiscal year, the District reported positive balances in two categories of net position. Unrestricted net position, which is normally used to meet the District's mission, reported a deficit of \$1.3 million due to the District's share of the state pension plan's unfunded liability. A similar situation held true for the prior fiscal year.

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

- The addition of \$565,213 in capital assets primarily for building improvements funded by the School Facilities Board.
- The depreciation of new and existing assets resulting in the addition of \$344,558 in accumulated depreciation.
- The decrease of \$498,156 in pension liabilities.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

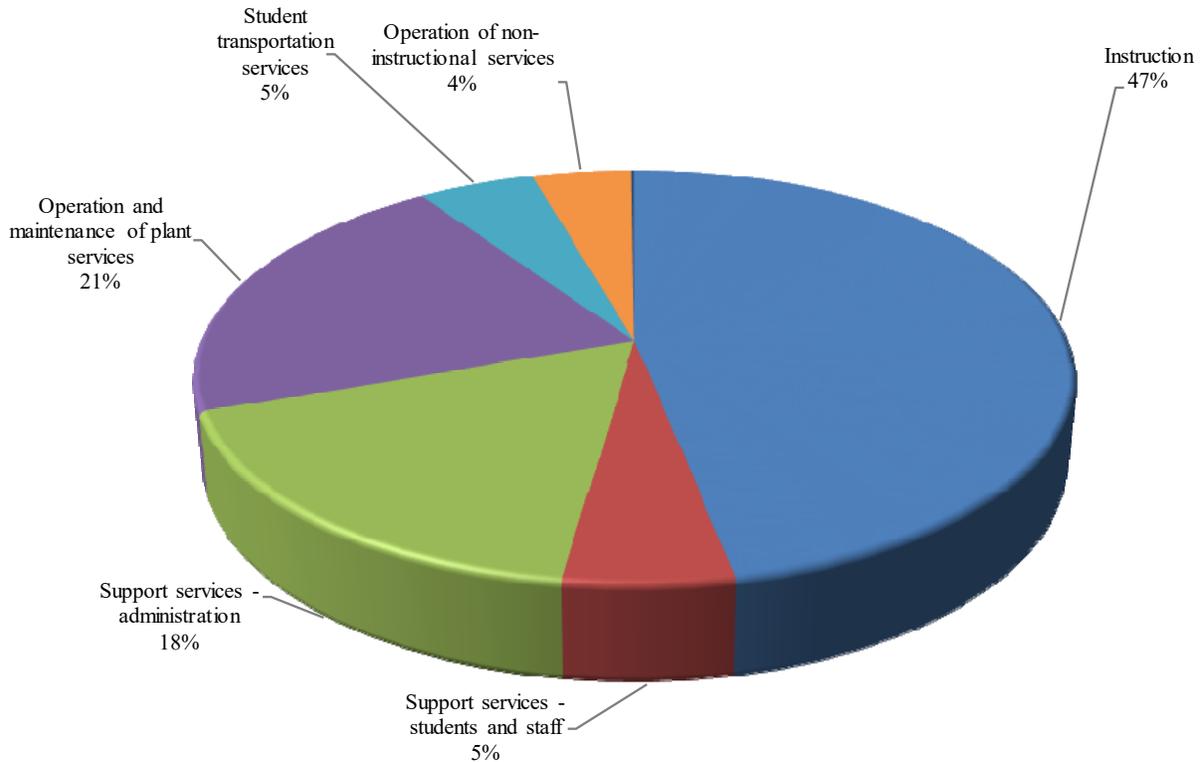
Changes in net position. The District's total revenues for the current fiscal year were \$2.6 million. The total cost of all programs and services was \$2.4 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2022 and June 30, 2021.

	Fiscal Year Ended <u>June 30, 2022</u>	Fiscal Year Ended <u>June 30, 2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 18,468	\$ 12,562
Operating grants and contributions	328,853	313,323
Capital grants and contributions	563,092	420,367
General revenues:		
Property taxes	1,451,375	1,302,557
Investment income	807	2,143
Unrestricted county aid	414	16,975
Unrestricted state aid	242,726	337,308
Total revenues	<u>2,605,735</u>	<u>2,405,235</u>
Expenses:		
Instruction	1,121,142	887,466
Support services - students and staff	128,457	100,794
Support services - administration	417,051	472,218
Operation and maintenance of plant services	498,619	468,492
Student transportation services	121,532	115,094
Operation of non-instructional services	102,865	112,210
Interest on long-term debt	2,568	5,286
Total expenses	<u>2,392,234</u>	<u>2,161,560</u>
Changes in net position	213,501	243,675
Net position, beginning	3,389,772	3,146,097
Net position, ending	<u>\$ 3,603,273</u>	<u>\$ 3,389,772</u>

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Expenses - Fiscal Year 2022



The property tax increase of \$148,818 primarily due to an increase in the property tax rate is a significant current year transaction that had an impact on the change in net position.

The capital grants and contributions increase of \$142,725 primarily due to projects funded by the School Facilities Board.

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

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

	Year Ended June 30, 2022		Year Ended June 30, 2021	
	Total	Net (Expense)/	Total	Net (Expense)/
	Expenses	Revenue	Expenses	Revenue
Instruction	\$ 1,121,142	\$ (867,581)	\$ 887,466	\$ (605,906)
Support services - students and staff	128,457	(83,215)	100,794	(24,733)
Support services - administration	417,051	(416,382)	472,218	(463,752)
Operation and maintenance of plant services	498,619	(17,712)	468,492	(168,216)
Student transportation services	121,532	(121,231)	115,094	(115,094)
Operation of non-instructional services	102,865	26,868	112,210	(32,321)
Interest on long-term debt	2,568	(2,568)	5,286	(5,286)
Total	\$ 2,392,234	\$ (1,481,821)	\$ 2,161,560	\$ (1,415,308)

- The cost of all governmental activities this year was \$2.4 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$910,413.
- Net cost of governmental activities of \$1.5 million was financed by general revenues, which are made up of primarily property taxes of \$1.5 million and state and county aid of \$243,140.

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.

The financial performance of the District as a whole is reflected in its governmental funds. As the District completed the year, its governmental funds reported a combined fund balance of \$292,944, an increase of \$15,311, which is not significant.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The General Fund is the principal operating fund of the District, and all of the fund balance of the General Fund is unassigned. The increase in fund balance from \$297,210 to \$325,383 as of fiscal year end was primarily a result of a decrease in expenditures. General Fund expenditures decreased \$45,686 or three percent while General Fund revenues decreased \$9,629 or one percent.

The Classroom Site Fund saw an increase in fund balance of \$62,542 due to an increase in per-pupil funding.

The fund balance decreased \$69,729 in the Title I Grants Fund, due to an increase in expenditures related to in-school instruction.

The fund balance decreased \$32,456 in the Special Education Grants Fund, due to pending reimbursements from the Arizona Department of Education.

The fund balance decreased \$18,604 in the Other Federal Projects Fund, due to pending reimbursements from the Arizona Department of Education.

The fund balance increased \$45,503 in the Unrestricted Capital Outlay Fund due to an increase in expenditures for technology and related equipment.

The Building Renewal Grant Fund saw an increase in fund balance of \$12, which is insignificant.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District revised the General Fund annual expenditure budget. The difference between the original budget and the final amended budget was a \$91,650 decrease or five percent.

Significant variances for the final amended budget and actual revenues resulted from the District not being required by the State of Arizona to prepare a revenue budget. A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund is provided in this report as required supplementary information. The significant favorable variance of \$90,326 in instruction, \$39,402 in operation and maintenance of plant services, and \$29,710 in student transportation services as a result of conservative spending in anticipation of a decrease in average daily membership.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. At year end, the District had invested \$9.1 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, and other equipment. This amount represents a net increase prior to depreciation of \$506,880 from the prior fiscal year, due to construction projects at Quartzsite Elementary School funded by the School Facilities Board. Total depreciation expense for the year was \$344,558.

The following schedule presents a summary of capital asset balances for the fiscal years ended June 30, 2022 and June 30, 2021.

	As of June 30, 2022	As of June 30, 2021
Capital assets - non-depreciable	\$ 525,585	\$ -
Capital assets - depreciable, net	4,001,572	4,362,900
Total	\$ 4,527,157	\$ 4,362,900

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

Debt Administration. At year-end, the District had \$30,192 in long-term debt outstanding. Long-term debt decreased by \$28,936 due to annual debt repayment.

The District’s general obligation bonds are subject to two limits; the Constitutional debt limit (total debt limit) on all general obligation bonds (up to 15 percent) of the total net full cash assessed valuation) and the statutory debt limit on Class B bonds (the greater of 10 percent of the net full cash assessed valuation or \$1,500 per student). The current total debt limitation for the District is \$10.0 million and the Class B debt limit is \$6.6 million. At fiscal year end, the District had no outstanding general obligation debt.

Additional information on the District’s long-term debt can be found in Notes 8 and 9.

ECONOMIC FACTORS AND NEXT YEAR’S BUDGET AND RATES

Many factors were considered by the District’s administration during the process of developing the fiscal year 2022-23 budget. Among them:

- Fiscal year 2021-22 budget balance carryforward (estimated \$205,955).
- District student population (estimated 149).

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
YEAR ENDED JUNE 30, 2022**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

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

Budgeted expenditures in the General Fund increased by four percent in fiscal year 2022-23 due to an increase in expected average daily membership. State aid and property taxes are expected to be the primary funding sources. No new significant programs were added to the 2022-23 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, contact the Business and Finance Department, Quartzsite Elementary School District No. 4, P. O. Box 130, Ehrenberg, Arizona 85334.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
STATEMENT OF NET POSITION
JUNE 30, 2022

	Governmental Activities
<u>ASSETS</u>	
Current assets:	
Cash and investments	\$ 305,279
Property taxes receivable	54,991
Deposits	4,043
Due from governmental entities	344,931
Total current assets	709,244
Noncurrent assets:	
Capital assets not being depreciated	525,585
Capital assets, net of accumulated depreciation	4,001,572
Total noncurrent assets	4,527,157
Total assets	5,236,401
 <u>DEFERRED OUTFLOWS OF RESOURCES</u>	
Pension plan items	276,460
 <u>LIABILITIES</u>	
Current liabilities:	
Accounts payable	175,262
Accrued payroll and employee benefits	43,835
Compensated absences payable	28,029
Unearned revenues	2,104
Financed purchases payable	30,192
Total current liabilities	279,422
Noncurrent liabilities:	
Non-current portion of long-term obligations	1,171,517
Total noncurrent liabilities	1,171,517
Total liabilities	1,450,939
 <u>DEFERRED INFLOWS OF RESOURCES</u>	
Pension plan items	458,649
 <u>NET POSITION</u>	
Net investment in capital assets	4,496,965
Restricted for:	
Instruction	241,508
Food service	30,940
Non-instructional purposes	10,649
Capital outlay	124,672
Unrestricted	(1,301,461)
Total net position	\$ 3,603,273

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 1,121,142	\$ 18,346	\$ 151,225	\$ 83,990	\$ (867,581)
Support services - students and staff	128,457		45,242		(83,215)
Support services - administration	417,051		669		(416,382)
Operation and maintenance of plant services	498,619		1,805	479,102	(17,712)
Student transportation services	121,532		301		(121,231)
Operation of non-instructional services	102,865	122	129,611		26,868
Interest on long-term debt	2,568				(2,568)
Total governmental activities	<u>\$ 2,392,234</u>	<u>\$ 18,468</u>	<u>\$ 328,853</u>	<u>\$ 563,092</u>	<u>(1,481,821)</u>

General revenues:

Taxes:

Property taxes, levied for general purposes	1,350,033
Property taxes, levied for capital outlay	101,342
Investment income	807
Unrestricted county aid	414
Unrestricted state aid	242,726
Total general revenues	<u>1,695,322</u>

Changes in net position	213,501
Net position, beginning of year	<u>3,389,772</u>
Net position, end of year	<u>\$ 3,603,273</u>

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

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FUND FINANCIAL STATEMENTS

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General	Classroom Site	Title I Grants
<u>ASSETS</u>			
Cash and investments	\$	\$ 175,310	\$
Property taxes receivable	51,142		
Deposits			
Due from governmental entities	3,444	13,691	
Due from other funds	327,635		
Total assets	\$ 382,221	\$ 189,001	\$
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u>			
<u>AND FUND BALANCES</u>			
Liabilities:			
Accounts payable	\$ 4,368	\$	\$
Due to other funds			89,912
Accrued payroll and employee benefits	17,156		
Unearned revenues			
Total liabilities	21,524		89,912
Deferred inflows of resources:			
Unavailable revenues - property taxes	35,314		
Unavailable revenues - intergovernmental			
Total deferred inflows of resources	35,314		
Fund balances (deficits):			
Restricted		189,001	
Unassigned	325,383		(89,912)
Total fund balances	325,383	189,001	(89,912)
 Total liabilities, deferred inflows of resources and fund balances	 \$ 382,221	 \$ 189,001	 \$

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

<u>Special Education Grants</u>	<u>Other Federal Projects</u>	<u>Unrestricted Capital Outlay</u>	<u>Building Renewal Grant</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$ 40,768 3,849	\$	\$ 89,201	\$ 305,279
	157,256	287	165,957	4,043	54,991
		79,768		4,296	4,043
<u>\$</u>	<u>\$ 157,256</u>	<u>\$ 124,672</u>	<u>\$ 165,957</u>	<u>\$ 97,540</u>	<u>\$ 1,116,647</u>
\$ 4,069 83,234	\$ 184,142 26,207	\$	\$ 165,957 26,545	\$ 868 23,570 472	\$ 175,262 407,403 43,835
<u>87,303</u>	<u>210,349</u>		<u>192,502</u>	<u>2,104</u>	<u>2,104</u>
				<u>27,014</u>	<u>628,604</u>
		2,529			37,843
	<u>157,256</u>				<u>157,256</u>
	<u>157,256</u>	<u>2,529</u>			<u>195,099</u>
		122,143		94,096	405,240
<u>(87,303)</u>	<u>(210,349)</u>		<u>(26,545)</u>	<u>(23,570)</u>	<u>(112,296)</u>
<u>(87,303)</u>	<u>(210,349)</u>	<u>122,143</u>	<u>(26,545)</u>	<u>70,526</u>	<u>292,944</u>
<u>\$</u>	<u>\$ 157,256</u>	<u>\$ 124,672</u>	<u>\$ 165,957</u>	<u>\$ 97,540</u>	<u>\$ 1,116,647</u>

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**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2022**

Total governmental fund balances	\$	292,944
<p>Amounts reported for <i>governmental activities</i> in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Governmental capital assets	\$ 9,139,854	
Less accumulated depreciation	<u>(4,612,697)</u>	4,527,157
<p>Some receivables are not available to pay for current period expenditures and, therefore, are reported as unavailable revenues in the funds.</p>		
Property taxes	37,843	
Intergovernmental	<u>157,256</u>	195,099
<p>Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.</p>		
Deferred outflows of resources related to pensions	276,460	
Deferred inflows of resources related to pensions	<u>(458,649)</u>	(182,189)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.</p>		
Compensated absences payable	(60,346)	
Financed purchases payable	(30,192)	
Net pension liability	<u>(1,139,200)</u>	<u>(1,229,738)</u>
Net position of governmental activities	\$	<u>3,603,273</u>

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General	Classroom Site	Title I Grants
Revenues:			
Other local	\$ 7,687	\$ 213	\$
Property taxes	1,365,363		
State aid and grants	69,460	164,288	
Federal aid, grants and reimbursements			33,843
Total revenues	1,442,510	164,501	33,843
Expenditures:			
Current -			
Instruction	602,523	94,816	70,937
Support services - students and staff	47,904	7,143	23,683
Support services - administration	401,111		1,153
Operation and maintenance of plant services	305,178		
Student transportation services	79,200		
Operation of non-instructional services	2,729		
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	1,438,645	101,959	95,773
Excess (deficiency) of revenues over expenditures	3,865	62,542	(61,930)
Other financing sources (uses):			
Transfers in	24,308		
Transfers out			(7,799)
Total other financing sources (uses)	24,308		(7,799)
Changes in fund balances	28,173	62,542	(69,729)
Fund balances (deficits), beginning of year	297,210	126,459	(20,183)
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ 325,383	\$ 189,001	\$ (89,912)

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

<u>Special Education Grants</u>	<u>Other Federal Projects</u>	<u>Unrestricted Capital Outlay</u>	<u>Building Renewal Grant</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$	\$	\$ 81	\$ 12	\$ 8,644	\$ 16,637
		102,625			1,467,988
		4,288	479,102	8,978	726,116
11,566	271,426			129,621	446,456
<u>11,566</u>	<u>271,426</u>	<u>106,994</u>	<u>479,114</u>	<u>147,243</u>	<u>2,657,197</u>
	187,528			33,895	989,699
39,306	6,849			8,173	133,058
	3,113				402,264
	519				308,291
	2,153			97,128	79,719
	83,990	29,987	479,102		102,010
					593,079
		28,936			28,936
		2,568			2,568
<u>39,306</u>	<u>284,152</u>	<u>61,491</u>	<u>479,102</u>	<u>139,196</u>	<u>2,639,624</u>
<u>(27,740)</u>	<u>(12,726)</u>	<u>45,503</u>	<u>12</u>	<u>8,047</u>	<u>17,573</u>
					24,308
<u>(4,716)</u>	<u>(5,878)</u>			<u>(5,915)</u>	<u>(24,308)</u>
<u>(4,716)</u>	<u>(5,878)</u>			<u>(5,915)</u>	
<u>(32,456)</u>	<u>(18,604)</u>	<u>45,503</u>	<u>12</u>	<u>2,132</u>	<u>17,573</u>
(54,847)	(191,745)	76,640	(26,557)	70,656	277,633
				(2,262)	(2,262)
<u>\$ (87,303)</u>	<u>\$ (210,349)</u>	<u>\$ 122,143</u>	<u>\$ (26,545)</u>	<u>\$ 70,526</u>	<u>\$ 292,944</u>

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Changes in fund balances - total governmental funds	\$	17,573
<p>Amounts reported for <i>governmental activities</i> in the Statement of Activities are different because:</p>		
<p>Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense.</p>		
Expenditures for capitalized assets	\$ 565,213	
Less current year depreciation	<u>(344,558)</u>	220,655
<p>Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
Property taxes	(16,613)	
Intergovernmental	<u>(34,849)</u>	(51,462)
<p>Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.</p>		
Financed purchase principal retirement		28,936
<p>Governmental funds report pension contributions as expenditures. However, they are reported as deferred outflows of resources in the Statement of Net Position. The change in the net pension liability, adjusted for deferred items, is reported as pension expense in the Statement of Activities.</p>		
Current year pension contributions	110,818	
Pension expense	<u>(46,283)</u>	64,535
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Inventory	(2,262)	
Loss on disposal of assets	(56,398)	
Compensated absences	<u>(8,076)</u>	<u>(66,736)</u>
Changes in net position in governmental activities	\$	<u>213,501</u>

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Quartzsite Elementary School District No. 4 have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2022, the District implemented the provisions of GASB Statement No. 87, *Leases*. This Statement increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The statement establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The District's analysis of contracts and agreements in effect at the beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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

A. Reporting Entity

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

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

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

B. Government-Wide and Fund Financial Statements

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

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

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. 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 grantor or provider have been met. As a general rule, the effect of internal activity has been eliminated from the government-wide financial statements; however, the effects of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their external exchange value.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. As permitted by generally accepted accounting principles the District applies the “early recognition” option for debt service payments. Property tax resources are provided in the Debt Service Fund during the current year for the payment of debt service principal and interest due early in the following year (less than one month). Therefore, the expenditures and related liabilities have been recognized in the current period.

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

Delinquent property taxes and other receivables that will not be collected within the available period have been reported as unavailable revenues on the governmental fund financial statements.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The District reports the following major governmental funds:

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

Classroom Site Fund – The Classroom Site Fund accounts for the financial activity for the portion of state sales tax collections and permanent state school fund earnings as approved by the voters in 2000.

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

Special Education Grants - to account for supplemental financial assistance received to provide a free, appropriate public education to disabled children.

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

Building Renewal Grant Fund – The Building Renewal Grant Fund accounts for building renewal grant monies requested from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems, or buildings that will maintain or extend their useful life

Unrestricted Capital Outlay Fund – The Unrestricted Capital Outlay Fund accounts for transactions relating to the acquisition of capital items.

D. Cash and Investments

A.R.S. require the District to deposit all cash with the County Treasurer, except as discussed below. Cash with the County Treasurer is pooled for investment purposes, except for cash of the Debt Service and Bond Building Funds that may be invested separately. Interest earned from investments purchased with pooled monies is allocated to each of the District’s funds based on their average balances. As required by statute, interest earnings of the Bond Building Fund are recorded initially in that fund, but then transferred to the Debt Service Fund. All investments are stated at fair value.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statute authorizes the District to separately invest monies of the Bond Building and Debt Service Funds in the State Treasurer’s investment pools; obligations issued and guaranteed by the United States or any of its agencies or instrumentalities; specified state and local government bonds and notes; and interest bearing savings accounts or certificates of deposit.

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

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Arizona statute requires a pooled collateral program for public deposits and a Statewide Collateral Pool Administrator (Administrator) in the State Treasurer’s Office. The purpose of the pooled collateral program is to ensure that governmental entities’ public deposits placed in participating depositories are secured with collateral of 102 percent of the public deposits, less any applicable federal depository insurance. An eligible depository may not retain or accept any public deposit unless it has deposited the required collateral with a qualified escrow agent or the Administrator. The Administrator manages the pooled collateral program, including reporting on each depository’s compliance with the program.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

G. Property Tax Calendar

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

Pursuant to A.R.S., a lien against assessed real and personal property attaches on the first day of January preceding assessment and levy; however according to case law, an enforceable legal claim to the asset does not arise.

H. Inventory

All inventories are valued at cost using the FIFO method. Inventories consist of expendable supplies held for consumption. Inventories are recorded as expenses when consumed on the government-wide financial statements and as expenditures when purchased on the fund financial statements.

The United States Department of Agriculture (USDA) commodity portion of the food services inventory consists of food donated by the USDA. It is valued at estimated market prices paid by the USDA.

I. Capital Assets

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

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

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Capital assets are depreciated using the straight-line method over the estimated useful life of the asset. The estimated useful lives and amortization periods are as follows:

Land improvements	15 – 50 years
Buildings and improvements	7 – 50 years
Vehicles, furniture and equipment	5 – 50 years

J. Deferred Outflows/Inflows of Resources

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

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

K. Compensated Absences

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

L. Pensions

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

M. Long-term Obligations

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

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

N. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses in governmental funds.

O. Net Position Flow Assumption

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

P. 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.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

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

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

Committed. The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Governing Board. Those committed amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

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

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

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 – FUND BALANCE CLASSIFICATIONS

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

	General Fund	Classroom Site Fund	Title I Grants Fund	Special Education Grants Fund	Other Federal Projects Fund	Building Renewal Grant Fund	Unrestricted Capital Outlay Fund	Non-Major Governmental Funds
Fund Balances:								
Restricted:								
Capital projects	\$	\$	\$	\$	\$	\$	\$ 122,143	\$
Voter approved initiatives		189,001						8,256
Federal and state projects								23,719
Food service								30,940
Civic center								7,904
Extracurricular activities								12,637
Student activities								7,820
Other purposes								2,820
Unassigned	325,383		(89,912)	(87,303)	(210,349)	(26,545)		(23,570)
Total fund balances	<u>\$ 325,383</u>	<u>\$ 189,001</u>	<u>\$ (89,912)</u>	<u>\$ (87,303)</u>	<u>\$ (210,349)</u>	<u>\$ (26,545)</u>	<u>\$ 122,143</u>	<u>\$ 70,526</u>

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

	<u>Deficit</u>
Major Fund:	
Title I Grants	\$ 89,912
Special Education Grants	87,303
Other Federal Projects	210,349
Building Renewal Grant	26,545
Non-Major Governmental Funds:	
Professional Development and Technology Grants	19,033
Limited English & Immigrant Students	3,540
E-Rate	997

The deficit in the Building Renewal Grant arose due to the District not submitting reimbursement requests for work completed during the fiscal year on projects approved by the School Facilities Oversight Board. The District is planning on submitting reimbursement requests to the School Facilities Oversight Board in fiscal year 2022-23.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The deficits in the Other Federal Projects, Title I Grants, Professional Development and Technology Grants, and Special Education Grants funds arose from the District not filing reimbursement requests timely because the District was on a hold with the granting agency as further discussed in Note 11. The District is planning on submitting reimbursement requests to Arizona Department of Education in fiscal year 2022-23. If the requests are not approved, the funds will be reimbursed by the District in a future year. The deficit in the Limited English & Immigrant Students Fund occurred in a prior year and will be reimbursed by the District in a future year. Lastly, revenues received in fiscal year 2022-23 are expected to resolve the deficit in the E-Rate Fund.

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

NOTE 4 – CASH AND INVESTMENTS

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of bank failure the District’s deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At year end, the carrying amount of the District’s deposits was \$8,414 and the bank balance was \$9,475.

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

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

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

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

	<u>Average Maturities</u>	<u>Fair Value</u>
County Treasurer’s investment pool	475 days	\$ 296,865

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 – CASH AND INVESTMENTS

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

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

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

NOTE 5 – RECEIVABLES

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

	<u>General Fund</u>	<u>Classroom Site Fund</u>	<u>Other Federal Projects</u>	<u>Unrestricted Capital Outlay</u>	<u>Building Renewal Grant Fund</u>	<u>Non-Major Governmental Funds</u>
Due from governmental entities:						
Due from federal government	\$	\$	\$ 157,256	\$	\$	\$
Due from state government	3,444	13,691		287	165,957	4,296
Net Due from governmental entities	<u>\$ 3,444</u>	<u>\$ 13,691</u>	<u>\$ 157,256</u>	<u>\$ 287</u>	<u>\$ 165,957</u>	<u>\$ 4,296</u>

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 6 – CAPITAL ASSETS

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

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in progress	\$	\$ 525,585	\$	\$ 525,585
Total capital assets, not being depreciated		<u>525,585</u>		<u>525,585</u>
Capital assets, being depreciated:				
Land improvements	870,693			870,693
Buildings and improvements	6,512,831	11,850	58,333	6,466,348
Vehicles, furniture and equipment	1,249,450	27,778		1,277,228
Total capital assets being depreciated	<u>8,632,974</u>	<u>39,628</u>	<u>58,333</u>	<u>8,614,269</u>
Less accumulated depreciation for:				
Land improvements	(401,625)	(40,380)		(442,005)
Buildings and improvements	(3,181,779)	(242,342)	(1,935)	(3,422,186)
Vehicles, furniture and equipment	(686,670)	(61,836)		(748,506)
Total accumulated depreciation	<u>(4,270,074)</u>	<u>(344,558)</u>	<u>(1,935)</u>	<u>(4,612,697)</u>
Total capital assets, being depreciated, net	<u>4,362,900</u>	<u>(304,930)</u>	<u>56,398</u>	<u>4,001,572</u>
Governmental activities capital assets, net	<u>\$ 4,362,900</u>	<u>\$ 220,655</u>	<u>\$ 56,398</u>	<u>\$ 4,527,157</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 94,555
Support services – administration	19,937
Operation and maintenance of plant services	192,048
Student transportation services	37,078
Operation of non-instructional services	940
Total depreciation expense – governmental activities	<u>\$ 344,558</u>

Construction Commitments – At year end, the District had spent \$525,585 on renovations and had estimated remaining contractual commitments of \$4,410,848. The projects are being funded with building renewal grant monies.

NOTE 7 – REVOLVING LINE OF CREDIT

The District has a revolving line of credit to provide cash flow during the year to mitigate the impact of timing differences of expenditures and the receipt of state aid and property tax revenues. At year end, the District had \$350,000 in unused line of credit. General Fund revenues are used to repay the line of credit. There was no short-term debt activity for the current fiscal year.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 – FINANCED PURCHASES PAYABLE

The District has acquired a school bus under the provisions of contract classified as a financed purchase payable. In accordance with GASB Statement No. 87 *Leases*, contracts previously recorded as capital leases have been reclassified as financed purchases payable in the fiscal year. Revenues from the Unrestricted Capital Outlay Fund are used to pay the debt obligation.

Annual debt service requirements to maturity on financed purchases payable at year end are summarized as follows:

Year ending June 30:	Governmental Activities	
	Principal	Interest
2023	\$ 30,192	\$ 1,311

NOTE 9 – CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Financed purchases payable	\$ 59,128	\$	\$ 28,936	\$ 30,192	\$ 30,192
Net pension liability	1,637,356		498,156	1,139,200	
Compensated absences payable	52,270	27,978	19,902	60,346	28,029
Governmental activity long-term liabilities	\$ 1,748,754	\$ 27,978	\$ 546,994	\$ 1,229,738	\$ 58,221

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 – INTERFUND RECEIVABLES AND PAYABLES

At year end, interfund balances were as follows:

Due to/from other funds:

	General Fund	Unrestricted Capital Outlay Fund	Total Due to Other Funds
Title I Grants Fund	\$ 10,144	\$ 79,768	\$ 89,912
Special Education Grants Fund	83,234		83,234
Other Federal Projects Fund	184,142		184,142
Building Renewal Grant Fund	26,545		26,545
Non-Major Governmental Funds	23,570		23,570
Total Due from Other Funds	<u>\$ 327,635</u>	<u>\$ 79,768</u>	<u>\$ 407,403</u>

At year end, several funds had negative cash balances in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with other funds. All interfund balances are expected to be paid within one year.

Interfund transfers:

<u>Transfers out</u>	<u>Transfers in</u> General Fund
Title I Grants Fund	\$ 7,799
Special Education Grants Fund	4,716
Other Federal Projects Fund	5,878
Non-Major Governmental Funds	5,915
Total	<u>\$ 24,308</u>

Transfers between funds were used to move federal grant funds restricted for indirect costs.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 11 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The District is currently working with the Arizona Department of Education (ADE) because during fiscal year 2021-22, the ADE placed the District on a federal hold due to not filing federal reimbursement requests in a timely manner. The effects of this hold, including the amount, if any, of expenditures/expenses that may be disallowed by ADE cannot be determined at this time.

NOTE 12 – RISK MANAGEMENT

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

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

The District's employees have health and accident insurance coverage with the Arizona School Board Association Insurance Trust (ASBAIT). ASBAIT is a public entity risk pool currently operating as a common risk management and insurance program for school districts in the State. The District pays a monthly premium to ASBAIT for employees' health and accident insurance coverage. The agreement provides that ASBAIT will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of specified amounts.

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – PENSIONS

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

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

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

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

*With actuarially reduced benefits

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

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – PENSIONS

Contributions. In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the current fiscal year, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.41 percent (12.01 percent for retirement, 0.21 percent for health insurance premium benefit, and 0.19 percent for long-term disability) of the active members' annual covered payroll. The District's contributions to the pension plan for the year ended June 30, 2022 were \$110,818.

Employers are also required to pay an Alternate Contribution Rate (ACR), for retired members who return to work in positions that would typically be filled by an employee who contributes to ASRS. The District was required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 for retirement and 0.09 percent for long-term disability). ACR contributions are included in employer contributions presented above.

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

Pension Liability. The net pension liability was measured as of June 30, 2021. The total liability used to calculate the net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2020, to the measurement date of June 30, 2021. The District's proportion of the net liability was based on the District's actual contributions to the applicable plan relative to the total of all participating employers' contributions to the plan for the year ended June 30, 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 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – PENSIONS

At June 30, 2022, the District reported the following amounts for its proportionate share of the pension plan net liability. In addition, at June 30, 2021, the District’s percentage proportion for the plan and the related change from its proportion measured as of June 30, 2020 was:

Net Liability	District % Proportion	Increase (Decrease)
\$ 1,139,200	0.009	(0.001)

Pension Expense and Deferred Outflows/Inflows of Resources. The District has deferred outflows and inflows of resources related to the net pension liability. Certain changes in the net pension liability are recognized as pension expense over a period of time rather than the year of occurrence. The District’s pension expense for the year ended June 30, 2022 was \$46,283.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 17,366	\$
Changes of assumptions or other inputs	148,276	
Net difference between projected and actual earnings on pension investments		360,938
Changes in proportion and differences between contributions and proportionate share of contributions		97,711
Contributions subsequent to the measurement date	110,818	
Total	\$ 276,460	\$ 458,649

The amounts of deferred outflows of resources resulting from contributions subsequent to the measurement date as reported in the table above will be recognized as an adjustment of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30:		
2023	\$	(55,581)
2024		(33,476)
2025		(79,568)
2026		(124,382)

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – PENSIONS

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

Actuarial valuation date	June 30, 2020
Actuarial roll forward date	June 30, 2021
Actuarial cost method	Entry age normal
Investment rate of return	7.0%
Inflation	2.3%
Projected salary increases	2.9-8.4%
Permanent base increases	Included
Mortality rates	2017 SRA Scale U-MP

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation.

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

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	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	4.90%
Credit	20	5.20
Interest rate sensitive bonds	10	0.70
Real estate	20	5.70
Total	100%	

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 13 – PENSIONS

Discount Rate. The discount rate used to measure the total pension liability was 7.0 percent. The discount rate was lowered in the roll forward for the year June 30, 2021 from 7.5 percent, which was used for the actuarial assumptions at the valuation date. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board’s funding policy, which establishes the contractually required rate under Arizona statute. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
Rate	6.0%	7.0%	8.0%
Net liability	\$ 1,791,865	\$ 1,139,200	\$ 595,057

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

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REQUIRED SUPPLEMENTARY INFORMATION

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
GENERAL
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Non-GAAP Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Other local	\$	\$	\$ 6,493	\$ 6,493
Property taxes			1,365,363	1,365,363
State aid and grants			69,460	69,460
Total revenues			<u>1,441,316</u>	<u>1,441,316</u>
Expenditures:				
Current -				
Instruction	786,833	691,563	601,237	90,326
Support services - students and staff	57,230	50,410	47,495	2,915
Support services - administration	390,400	407,320	401,111	6,209
Operation and maintenance of plant services	331,000	344,580	305,178	39,402
Student transportation services	128,000	108,910	79,200	29,710
Operation of non-instructional services	6,300	5,330	2,371	2,959
Total expenditures	<u>1,699,763</u>	<u>1,608,113</u>	<u>1,436,592</u>	<u>171,521</u>
Changes in fund balances	<u>(1,699,763)</u>	<u>(1,608,113)</u>	<u>4,724</u>	<u>1,612,837</u>
Fund balances, beginning of year			267,373	267,373
Fund balances (deficits), end of year	<u>\$ (1,699,763)</u>	<u>\$ (1,608,113)</u>	<u>\$ 272,097</u>	<u>\$ 1,880,210</u>

See accompanying notes to this schedule.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
CLASSROOM SITE
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Other local	\$	\$	\$ 213	\$ 213
State aid and grants			164,288	164,288
Total revenues			<u>164,501</u>	<u>164,501</u>
Expenditures:				
Current -				
Instruction	292,760	292,478	94,816	197,662
Support services - students and staff			7,143	(7,143)
Total expenditures	<u>292,760</u>	<u>292,478</u>	<u>101,959</u>	<u>190,519</u>
Changes in fund balances	<u>(292,760)</u>	<u>(292,478)</u>	<u>62,542</u>	<u>355,020</u>
Fund balances, beginning of year			126,459	126,459
Fund balances (deficits), end of year	<u>\$ (292,760)</u>	<u>\$ (292,478)</u>	<u>\$ 189,001</u>	<u>\$ 481,479</u>

See accompanying notes to this schedule.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
TITLE I GRANTS
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Federal aid, grants and reimbursements	\$	\$	\$ 33,843	\$ 33,843
Total revenues			<u>33,843</u>	<u>33,843</u>
Expenditures:				
Current -				
Instruction	118,719	126,785	70,937	55,848
Support services - students and staff			23,683	(23,683)
Support services - administration			1,153	(1,153)
Total expenditures	<u>118,719</u>	<u>126,785</u>	<u>95,773</u>	<u>31,012</u>
Excess (deficiency) of revenues over expenditures	<u>(118,719)</u>	<u>(126,785)</u>	<u>(61,930)</u>	<u>64,855</u>
Other financing sources (uses):				
Transfers out			(7,799)	(7,799)
Total other financing sources (uses)			<u>(7,799)</u>	<u>(7,799)</u>
Changes in fund balances	<u>(118,719)</u>	<u>(126,785)</u>	<u>(69,729)</u>	<u>57,056</u>
Fund balances (deficits), beginning of year			(20,183)	(20,183)
Fund balances (deficits), end of year	<u>\$ (118,719)</u>	<u>\$ (126,785)</u>	<u>\$ (89,912)</u>	<u>\$ 36,873</u>

See accompanying notes to this schedule.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
SPECIAL EDUCATION GRANTS
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 11,566	\$ 11,566
Total revenues	11,566	11,566	11,566
Expenditures:			
Current -			
Support services - students and staff	80,184	39,306	40,878
Total expenditures	80,184	39,306	40,878
Excess (deficiency) of revenues over expenditures	(80,184)	(27,740)	52,444
Other financing sources (uses):			
Transfers out		(4,716)	(4,716)
Total other financing sources (uses)		(4,716)	(4,716)
Changes in fund balances	(80,184)	(32,456)	47,728
Fund balances (deficits), beginning of year		(54,847)	(54,847)
Fund balances (deficits), end of year	\$ (80,184)	\$ (87,303)	\$ (7,119)

See accompanying notes to this schedule.

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
OTHER FEDERAL PROJECTS
YEAR ENDED JUNE 30, 2022

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	Original & Final	Actual	
Revenues:			
Federal aid, grants and reimbursements	\$	\$ 271,426	\$ 271,426
Total revenues	1,047,385	271,426	271,426
Expenditures:			
Current -			
Instruction	1,047,385	187,528	859,857
Support services - students and staff		6,849	(6,849)
Operation and maintenance of plant services		3,113	(3,113)
Student transportation services		519	(519)
Operation of non-instructional services		2,153	(2,153)
Capital outlay		83,990	(83,990)
Total expenditures	1,047,385	284,152	763,233
Excess (deficiency) of revenues over expenditures	(1,047,385)	(12,726)	1,034,659
Other financing sources (uses):			
Transfers out		(5,878)	(5,878)
Total other financing sources (uses)		(5,878)	(5,878)
Changes in fund balances	(1,047,385)	(18,604)	1,028,781
Fund balances (deficits), beginning of year		(191,745)	(191,745)
Fund balances (deficits), end of year	\$ (1,047,385)	\$ (210,349)	\$ 837,036

See accompanying notes to this schedule.

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**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
ARIZONA STATE RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Measurement date	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018
District's proportion of the net pension (assets) liability	0.01%	0.01%	0.01%	0.01%
District's proportionate share of the net pension (assets) liability	\$ 1,139,200	\$ 1,637,356	\$ 1,431,834	\$ 1,365,360
District's covered payroll	\$ 989,622	\$ 1,022,498	\$ 1,048,909	\$ 973,330
District's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	115.11%	160.13%	136.51%	140.28%
Plan fiduciary net position as a percentage of the total pension liability	78.58%	69.33%	73.24%	73.40%

**SCHEDULE OF PENSION CONTRIBUTIONS
ARIZONA STATE RETIREMENT SYSTEM
LAST EIGHT FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contribution	\$ 110,818	\$ 115,291	\$ 117,076	\$ 117,268
Contributions in relation to the actuarially determined contribution	<u>110,818</u>	<u>115,291</u>	<u>117,076</u>	<u>117,268</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 922,714	\$ 989,622	\$ 1,022,498	\$ 1,048,909
Contributions as a percentage of covered payroll	12.01%	11.65%	11.45%	11.18%

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

See accompanying notes to this schedule.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
0.01%	0.00%	0.01%	0.01%
\$ 1,736,953	\$ 1,835,232	\$ 1,886,959	\$ 1,788,681
\$ 1,087,087	\$ 1,064,433	\$ 1,115,730	\$ 1,086,738
159.78%	172.41%	169.12%	164.59%
69.92%	67.06%	68.35%	69.49%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 106,093	\$ 117,188	\$ 115,491	\$ 121,503
<u>106,093</u>	<u>117,188</u>	<u>115,491</u>	<u>121,503</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 973,330	\$ 1,087,087	\$ 1,064,433	\$ 1,115,730
10.90%	10.78%	10.85%	10.89%

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022**

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

	<u>Total</u>	<u>Fund</u>
	<u>Expenditures</u>	<u>Balances</u>
		<u>End of Year</u>
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 1,438,645	\$ 325,383
Activity budgeted as special revenue funds	(\$2,053)	(\$35,638)
Activity budgeted as capital projects funds	<u> </u>	<u>(\$17,648)</u>
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	<u>\$ 1,436,592</u>	<u>\$ 272,097</u>

NOTE 2 – PENSION PLAN SCHEDULES

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

Factors that Affect Trends. The actuarial assumptions used in the June 30, 2020, valuation were based on the results of an actuarial experience study for the five-year period ended June 30, 2020. The purpose of the experience study was to review actual experience in relation to the actuarial assumptions in effect. The ASRS Board adopted the experience study recommended changes which were applied to the June 30, 2020, actuarial valuation. The total liabilities as of June 30, 2021, reflect changes in actuarial assumptions based on the results of an actuarial experience, including decreasing the discount rate from 7.5 percent to 7.0 percent and changing the projected salary increases from 2.7-7.2 percent to 2.9-8.4 percent.

SUPPLEMENTARY INFORMATION

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GOVERNMENTAL FUNDS

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	Instructional Improvement		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 16	\$ 16
State aid and grants		8,978	8,978
Federal aid, grants and reimbursements			
Total revenues		8,994	8,994
Expenditures:			
Current -			
Instruction	29,294	25,340	3,954
Support services - students and staff			
Operation of non-instructional services			
Total expenditures	29,294	25,340	3,954
Excess (deficiency) of revenues over expenditures	(29,294)	(16,346)	12,948
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(29,294)	(16,346)	12,948
Fund balances (deficits), beginning of year		24,602	24,602
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (29,294)	\$ 8,256	\$ 37,550

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	Professional Development and Technology Grants		
	Budget	Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		899	899
Total revenues		899	899
Expenditures:			
Current -			
Instruction			
Support services - students and staff	32,630	7,239	25,391
Operation of non-instructional services			
Total expenditures	32,630	7,239	25,391
Excess (deficiency) of revenues over expenditures	(32,630)	(6,340)	26,290
Other financing sources (uses):			
Transfers in			
Transfers out		(868)	(868)
Total other financing sources (uses)		(868)	(868)
Changes in fund balances	(32,630)	(7,208)	25,422
Fund balances (deficits), beginning of year		(11,825)	(11,825)
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (32,630)	\$ (19,033)	\$ 13,597

Title IV Grants			Limited English & Immigrant Students		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
30,012		30,012			
<u>30,012</u>		<u>30,012</u>			
<u>(30,012)</u>		<u>30,012</u>			
<u>(30,012)</u>		<u>30,012</u>			
				(3,540)	(3,540)
<u>\$ (30,012)</u>	<u>\$</u>	<u>\$ 30,012</u>	<u>\$</u>	<u>\$ (3,540)</u>	<u>\$ (3,540)</u>

(Continued)

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	Medicaid Reimbursement		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	1,204		1,204
Support services - students and staff		240	(240)
Operation of non-instructional services			
Total expenditures	1,204	240	964
Excess (deficiency) of revenues over expenditures	(1,204)	(240)	964
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(1,204)	(240)	964
Fund balances (deficits), beginning of year		1,205	1,205
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (1,204)	\$ 965	\$ 2,169

E-Rate			Results-based Funding		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	360	360			
	360	360			
4,156		4,156		165	(165)
			24,818	934	23,884
4,156		4,156	24,818	1,099	23,719
(4,156)	360	4,516	(24,818)	(1,099)	23,719
(4,156)	360	4,516	(24,818)	(1,099)	23,719
	(1,357)	(1,357)		24,818	24,818
\$ (4,156)	\$ (997)	\$ 3,159	\$ (24,818)	\$ 23,719	\$ 48,537

(Continued)

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	School Plant		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction			
Support services - students and staff			
Operation of non-instructional services	4,700		4,700
Total expenditures	4,700		4,700
Excess (deficiency) of revenues over expenditures	(4,700)		4,700
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(4,700)		4,700
Fund balances (deficits), beginning of year		4,738	4,738
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (4,700)	\$ 4,738	\$ 9,438

Food Service			Civic Center		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 122	\$ 122	\$	\$	\$
	128,362	128,362			
	128,484	128,484			
135,000	97,128	37,872	7,900		7,900
135,000	97,128	37,872	7,900		7,900
(135,000)	31,356	166,356	(7,900)		7,900
	(5,047)	(5,047)			
	(5,047)	(5,047)			
(135,000)	26,309	161,309	(7,900)		7,900
	6,893	6,893		7,904	7,904
	(2,262)	(2,262)			
<u>\$ (135,000)</u>	<u>\$ 30,940</u>	<u>\$ 165,940</u>	<u>\$ (7,900)</u>	<u>\$ 7,904</u>	<u>\$ 15,804</u>

(Continued)

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	Auxiliary Operations		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	7,000		7,000
Support services - students and staff			
Operation of non-instructional services			
Total expenditures	7,000		7,000
Excess (deficiency) of revenues over expenditures	(7,000)		7,000
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(7,000)		7,000
Fund balances (deficits), beginning of year		539	539
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (7,000)	\$ 539	\$ 7,539

<u>Extracurricular Activities Fees Tax Credit</u>			<u>Gifts and Donations</u>		
<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>	<u>Budget</u>	<u>Non-GAAP Actual</u>	<u>Variance - Positive (Negative)</u>
\$	\$ 1,236	\$ 1,236	\$	\$ 1,194	\$ 1,194
	<u>1,236</u>	<u>1,236</u>		<u>1,194</u>	<u>1,194</u>
12,200		12,200	2,800	1,286	1,514
				169	(169)
<u>12,200</u>		<u>12,200</u>	<u>2,800</u>	<u>1,455</u>	<u>1,345</u>
<u>(12,200)</u>	<u>1,236</u>	<u>13,436</u>	<u>(2,800)</u>	<u>(261)</u>	<u>2,539</u>
<u>(12,200)</u>	<u>1,236</u>	<u>13,436</u>	<u>(2,800)</u>	<u>(261)</u>	<u>2,539</u>
	11,401	11,401		2,413	2,413
<u>\$ (12,200)</u>	<u>\$ 12,637</u>	<u>\$ 24,837</u>	<u>\$ (2,800)</u>	<u>\$ 2,152</u>	<u>\$ 4,952</u>

(Continued)

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	Textbooks		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues			
Expenditures:			
Current -			
Instruction	66		66
Support services - students and staff			
Operation of non-instructional services			
Total expenditures	66		66
Excess (deficiency) of revenues over expenditures	(66)		66
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)			
Changes in fund balances	(66)		66
Fund balances (deficits), beginning of year		67	67
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (66)	\$ 67	\$ 133

Litigation Recovery			Indirect Costs		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
250		250			
<u>250</u>		<u>250</u>	11,100	358	10,742
			<u>11,100</u>	<u>358</u>	<u>10,742</u>
<u>(250)</u>		<u>250</u>	<u>(11,100)</u>	<u>(358)</u>	<u>10,742</u>
				24,308	24,308
				<u>24,308</u>	<u>24,308</u>
<u>(250)</u>		<u>250</u>	<u>(11,100)</u>	<u>23,950</u>	<u>35,050</u>
	253	253		1,065	1,065
<u>\$ (250)</u>	<u>\$ 253</u>	<u>\$ 503</u>	<u>\$ (11,100)</u>	<u>\$ 25,015</u>	<u>\$ 36,115</u>

(Continued)

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NON-MAJOR SPECIAL REVENUE FUNDS
YEAR ENDED JUNE 30, 2022

	Insurance Refund		Variance - Positive (Negative)
	Budget	Actual	
Revenues:			
Other local	\$	\$ 799	\$ 799
State aid and grants			
Federal aid, grants and reimbursements			
Total revenues	_____	799	799
Expenditures:			
Current -			
Instruction	2,490		2,490
Support services - students and staff			
Operation of non-instructional services			
Total expenditures	2,490	_____	2,490
Excess (deficiency) of revenues over expenditures	(2,490)	799	3,289
Other financing sources (uses):			
Transfers in			
Transfers out			
Total other financing sources (uses)	_____	_____	_____
Changes in fund balances	(2,490)	799	3,289
Fund balances (deficits), beginning of year		1,693	1,693
Increase (decrease) in reserve for inventory			
Fund balances (deficits), end of year	\$ (2,490)	\$ 2,492	\$ 4,982

Student Activities			Totals		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 6,471	\$ 6,471	\$	\$ 9,838	\$ 9,838
				8,978	8,978
	<u>6,471</u>	<u>6,471</u>		<u>129,621</u>	<u>129,621</u>
				<u>148,437</u>	<u>148,437</u>
	8,390	(8,390)	89,472	35,181	54,291
			57,448	8,582	48,866
	<u>8,390</u>	<u>(8,390)</u>	<u>158,700</u>	<u>97,486</u>	<u>61,214</u>
			<u>305,620</u>	<u>141,249</u>	<u>164,371</u>
	(1,919)	(1,919)	(305,620)	7,188	312,808
				24,308	24,308
				(5,915)	(5,915)
				<u>18,393</u>	<u>18,393</u>
	(1,919)	(1,919)	(305,620)	25,581	331,201
	9,739	9,739		82,845	82,845
				(2,262)	(2,262)
<u>\$</u>	<u>\$ 7,820</u>	<u>\$ 7,820</u>	<u>\$ (305,620)</u>	<u>\$ 106,164</u>	<u>\$ 411,784</u>

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2022

	Insurance Proceeds		Variance - Positive (Negative)
	Budget	Non-GAAP Actual	
Revenues:			
Other local	\$	\$	\$
Property taxes			
State aid and grants			
Total revenues			
Expenditures:			
Current -			
Instruction	17,600		17,600
Capital outlay			
Debt service -			
Principal retirement			
Interest and fiscal charges			
Total expenditures	17,600		17,600
Changes in fund balances	(17,600)		17,600
Fund balances (deficits), beginning of year		17,648	17,648
Fund balances (deficits), end of year	\$ (17,600)	\$ 17,648	\$ 35,248

Unrestricted Capital Outlay			Building Renewal Grant		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 81	\$ 81	\$	\$ 12	\$ 12
	102,625	102,625			
	4,288	4,288		479,102	479,102
	106,994	106,994		479,114	479,114
124,534	29,987	94,547	1,700,000	479,102	1,220,898
	28,936	(28,936)			
	2,568	(2,568)			
124,534	61,491	63,043	1,700,000	479,102	1,220,898
(124,534)	45,503	170,037	(1,700,000)	12	1,700,012
	76,640	76,640		(26,557)	(26,557)
\$ (124,534)	\$ 122,143	\$ 246,677	\$ (1,700,000)	\$ (26,545)	\$ 1,673,455

(Continued)

QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ALL CAPITAL PROJECTS FUNDS
YEAR ENDED JUNE 30, 2022

	Totals		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
Revenues:			
Other local	\$	\$ 93	\$ 93
Property taxes		102,625	102,625
State aid and grants		483,390	483,390
Total revenues		<u>586,108</u>	<u>586,108</u>
Expenditures:			
Current -			
Instruction	17,600		17,600
Capital outlay	1,824,534	509,089	1,315,445
Debt service -			
Principal retirement		28,936	(28,936)
Interest and fiscal charges		2,568	(2,568)
Total expenditures	<u>1,842,134</u>	<u>540,593</u>	<u>1,301,541</u>
Changes in fund balances	<u>(1,842,134)</u>	<u>45,515</u>	<u>1,887,649</u>
Fund balances (deficits), beginning of year		67,731	67,731
Fund balances (deficits), end of year	<u>\$ (1,842,134)</u>	<u>\$ 113,246</u>	<u>\$ 1,955,380</u>

REPORT ON INTERNAL CONTROL AND ON COMPLIANCE

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**Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

Governing Board
Quartzsite Elementary School District No. 4

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Quartzsite Elementary School District No. 4, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Quartzsite Elementary School District No. 4's basic financial statements, and have issued our report thereon dated March 29, 2023. Our report included an emphasis of matter paragraph as to comparability because of the implementation of Governmental Accounting Standards Board Statement No. 87, *Leases*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Quartzsite Elementary School District No. 4'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 Quartzsite Elementary School District No. 4's internal control. Accordingly, we do not express an opinion on the effectiveness of Quartzsite Elementary School District No. 4's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS-2022-001 to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and responses as item FS-2022-002, to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Quartzsite Elementary School District No. 4's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS-2022-001.

Quartzsite Elementary School District No. 4's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Quartzsite Elementary School District No. 4's responses to the findings identified in our audit and described in the accompanying schedule of findings and responses. Quartzsite Elementary School District No. 4's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

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

Heinfeld Meech & Co. PC

Heinfeld, Meech & Co., P.C.
Scottsdale, Arizona
March 29, 2023

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS-2022-001

Repeat Finding: Yes, FS-2021-001

Type of Finding: Noncompliance, Material Weakness

Description: Deficit Fund Balances

CRITERIA

To ensure accurate and proper financial reporting as required by generally accepted accounting principles, fund balances should be reviewed to ensure that deficit balances are expected to be offset with subsequent year revenues.

CONDITION

Multiple funds had deficit balances as of year end and it was unclear whether future revenues could be expected to offset the deficits.

CAUSE

The District failed to submit reimbursements for grant fund expenditures in a timely manner.

EFFECT

The District will have trouble accounting for future revenues and fund balances in subsequent years. If additional funding does not become available, the District will have to use local taxpayer funds to offset the deficits.

CONTEXT

The Title I Grants Fund, Professional Development and Technology Grants Fund, Special Education Grants Fund, Other Federal Projects Fund, and Building Renewal Grant Fund had deficit balances of \$89,912, \$19,033, \$87,303, \$210,349, and \$26,545 respectively at year end. Reimbursement claims for fiscal year 2021-22 expenditures had not been submitted. Additionally, there was a deficit fund balance in the Limited English & Immigrant Students Fund of \$3,540 that has existed for several years and has not been resolved.

RECOMMENDATION

District should ensure that reimbursements for grant fund expenditures are filed in a timely manner.

VIEWS OF RESPONSIBLE OFFICIALS

The District continues to work with the Arizona Department of Education, Grants Management to be able to submit reimbursement requests more timely. Holds being placed by ADE causes additional delays that the District must find solutions so this is not a factor when needing to submit reimbursement requests. The District will seek resources outside of the organization to assist in managing the grants more efficiently.

**QUARTZSITE ELEMENTARY SCHOOL DISTRICT NO. 4
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2022**

**FINDINGS RELATED TO FINANCIAL STATEMENTS REPORTED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Finding Number: FS 2022-002

Repeat Finding: No

Type of Finding: Significant Deficiency

Description: Expenditure Cutoff

CRITERIA

Management is responsible for establishing internal controls over expenditures to ensure proper processing, payment and reporting. Generally accepted accounting principles (GAAP) require that goods and services be paid for in the year received.

CONDITION

The District did not adequately follow controls in place over expenditure cutoff.

CAUSE

The District did not review fund balances at year end.

EFFECT

Audit adjustments were necessary to properly state the balances related to payables and expenditures in the District's financial statements.

CONTEXT

The District recorded \$129,127 of expenditures in the Building Renewal Grant Fund in fiscal year 2021-22, however, the services were not provided until July 2022. As a result, those expenditures should be recorded in fiscal year 2022-23. This resulted in a deficit fund balance in the fund.

RECOMMENDATION

The District should modify its internal controls to include procedures that ensure expenditures are recorded in the proper fiscal year.

VIEWS OF RESPONSIBLE OFFICIALS

The District actually paid the \$129,127 in fiscal year 2022-23 (November, Voucher 1006) after work was completed. The issue occurred when the District rolled the open purchase order from fiscal year 2021-22 to 2022-23, and when doing so, the software automatically created an adjusting journal entry (#181) in fiscal year 2021-22 that recorded the unpaid balance of the purchase order as a paid liability. It was not noticed by the District until the audit of fiscal year 2021-22 was being conducted. To correct this issue and keep it from recurring, the District will work with Tyler Technologies and gain a better understanding of the rollover process of purchase orders.