



**Continental Elementary School District No. 39**  
**Single Audit Reporting Package**  
Year Ended June 30, 2022

Continental Elementary School District No. 39

Single Audit Reporting Package  
Year Ended June 30, 2022

## CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39

<u>CONTENTS</u>	<u>Page</u>
INDEPENDENT AUDITOR’S REPORT	1
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)	7
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements:	
Statement of Net Position	20
Statement of Activities	21
Fund Financial Statements:	
Balance Sheet – Governmental Funds	24
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	27
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	28
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	30
Notes to Financial Statements	31
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues Expenditures and Changes in Fund Balances – Budget and Actual:	
General Fund	54
Civic Center	55
Pension Schedules	56
Notes to Required Supplementary Information	58

## CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39

<b><u>CONTENTS</u></b>	<b><u>Page</u></b>
<b>SUPPLEMENTARY INFORMATION</b>	
Governmental Funds:	
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Non-Major Special Revenue Funds	62
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund	83
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – All Capital Projects Funds	84
<b>SINGLE AUDIT SECTION</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	91
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	93
Schedule of Expenditures of Federal Awards	96
Notes to the Schedule of Expenditures of Federal Awards	97
Schedule of Findings and Questioned Costs	98
Auditee Response	
Cover Letter	102
Corrective Action Plan	103
Summary Schedule of Prior Audit Findings	104

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**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2022**

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## **Independent Auditor's Report**

Governing Board  
Continental Elementary School District No. 39

### **Report on Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Continental Elementary School District No. 39 (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 Continental Elementary School District No. 39, 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 Continental Elementary School District No. 39 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 31, 2023, on our consideration of Continental Elementary School District No. 39'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 Continental Elementary School District No. 39'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 Continental Elementary School District No. 39's internal control over financial reporting and compliance.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
March 31, 2023

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

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**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

As management of the Continental Elementary School District No. 39 (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 \$1.4 million which represents a 63 percent increase from the prior fiscal year, due primarily to increases in COVID and food service federal grants, and increased state aid revenues.
- General revenues accounted for \$9.2 million in revenue, or 83 percent of all current fiscal year revenues. Program specific revenue in the form of charges for services and grants and contributions accounted for \$1.9 million or 17 percent of total current fiscal year revenues.
- The District had approximately \$9.7 million in expenses related to governmental activities, an increase of 14 percent from the prior fiscal year primarily due to an increase in salaries and related benefits.
- Among major funds, the General Fund had \$7.7 million current fiscal year revenues, which primarily consisted of state aid and property taxes, and \$6.9 million in expenditures. The General Fund's fund balance increase from \$1.4 million at the prior fiscal year end to \$2.2 million at the end of the current fiscal year was primarily due to increases in the base support level and property taxes.
- The Civic Center Fund had \$76,406 in current fiscal year revenues. The Civic Center Fund's fund balance increased from \$75,420 at the prior fiscal year end to \$151,826 at the end of the current fiscal year.
- The Debt Service Fund had \$1.2 million in current fiscal year revenues, which primarily consisted of property taxes, and \$1.2 million in expenditures. The Debt Service Fund's fund balance increased from \$36,726 at the prior fiscal year end to \$76,452 at the end of the current fiscal year.
- The Unrestricted Capital Outlay Fund had \$132,739 in current fiscal year revenues, which primarily consisted of state aid, and \$1.1 million in expenditures. The Unrestricted Capital Outlay Fund's fund balance decreased from a deficit of \$253,770 at the prior fiscal year end to a deficit of \$506,260 primarily due to limited allocations of state aid to the fund.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

**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.

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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

**OVERVIEW OF FINANCIAL STATEMENTS**

**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, Civic Center, Debt Service, 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.

**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 the major Special Revenue Fund as required supplementary information. Schedules for the pension plan have been provided as required supplementary information.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

**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 net position reflects its investment in capital assets (e.g., land and improvements, buildings and improvements and vehicles, furniture and equipment), 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. The remaining balance is unrestricted and may be used to meet the District's ongoing obligations to its citizens and creditors.

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 June 30, 2022	As of June 30, 2021
Current and other assets	\$ 4,969,052	\$ 2,428,788
Capital assets, net	16,917,163	16,459,149
Total assets	<u>21,886,215</u>	<u>18,887,937</u>
Deferred outflows	<u>1,090,152</u>	<u>907,930</u>
Current and other liabilities	358,188	150,219
Long-term liabilities	16,107,740	17,402,058
Total liabilities	<u>16,465,928</u>	<u>17,552,277</u>
Deferred inflows	<u>2,883,465</u>	<u>19,509</u>
Net position:		
Net investment in capital assets	4,606,467	4,127,198
Restricted	1,104,079	780,234
Unrestricted	(2,083,572)	(2,683,351)
Total net position	<u>\$ 3,626,974</u>	<u>\$ 2,224,081</u>

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The District's financial position is the product of several financial transactions including the net result of activities, the issuance and payment of debt, the acquisition 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.

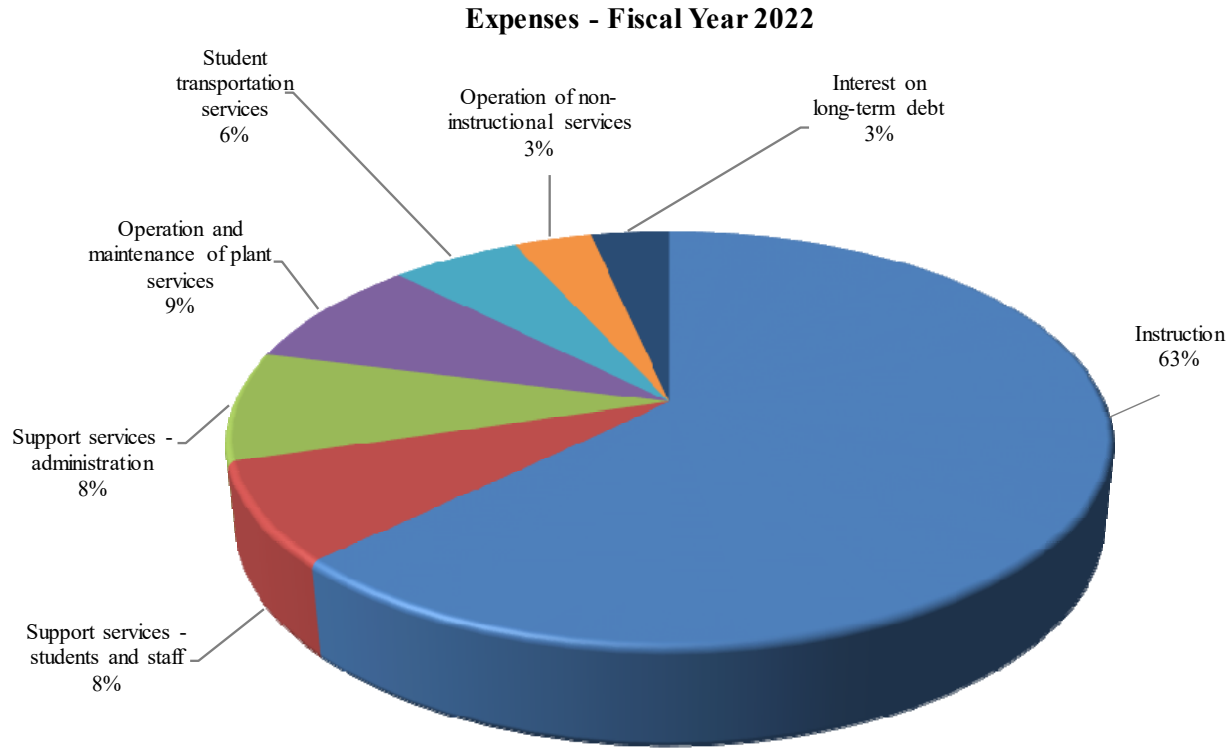
- The principal retirement of \$8.7 million of bonds, and the issuance of \$8.2 million in refunding bonds.
- The addition of \$560,432 to accumulated depreciation for current year depreciation expense.
- The decrease of \$1.3 million in pension liabilities.

**Changes in net position.** The District's total revenues for the current fiscal year were \$11.1 million. The total cost of all programs and services was \$9.7 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 June 30, 2022	Fiscal Year Ended June 30, 2021
<b>Revenues:</b>		
Program revenues:		
Charges for services	\$ 434,241	\$ 186,593
Operating grants and contributions	1,225,715	725,155
Capital grants and contributions	233,436	14,933
General revenues:		
Property taxes	6,809,209	6,600,915
Investment income	40,157	25,836
Unrestricted state aid	2,385,841	2,113,790
<b>Total revenues</b>	11,128,599	9,667,222
<b>Expenses:</b>		
Instruction	6,101,686	5,422,867
Support services - students and staff	755,515	567,490
Support services - administration	820,394	739,850
Operation and maintenance of plant services	838,845	660,769
Student transportation services	546,290	380,904
Operation of non-instructional services	330,866	258,703
Interest on long-term debt	332,110	483,129
<b>Total expenses</b>	9,725,706	8,513,712
<b>Changes in net position</b>	1,402,893	1,153,510
<b>Net position, beginning</b>	2,224,081	1,070,571
<b>Net position, ending</b>	\$ 3,626,974	\$ 2,224,081

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**



The following are significant current year transactions that have had an impact on the change in net position.

- The increase of \$719,063 in operating and capital grants and contributions was primarily due to increases in COVID and food service-related grants.
- The \$678,819 increase in instructional expenses was primarily due to salary and related benefits increases for teachers.
- The increase in student transportation services of \$165,386 was primarily due to increased activity post pandemic

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT’S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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.

	<u>Year Ended June 30, 2022</u>		<u>Year Ended June 30, 2021</u>	
	Total	Net (Expense)/	Total	Net (Expense)/
	<u>Expenses</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Revenue</u>
Instruction	\$ 6,101,686	\$ (5,017,143)	\$ 5,422,867	\$ (4,914,900)
Support services - students and staff	755,515	(610,230)	567,490	(396,653)
Support services - administration	820,394	(808,848)	739,850	(733,974)
Operation and maintenance of plant services	838,845	(744,687)	660,769	(620,767)
Student transportation services	546,290	(539,643)	380,904	(380,904)
Operation of non-instructional services	330,866	220,347	258,703	(56,704)
Interest on long-term debt	332,110	(332,110)	483,129	(483,129)
Total	<u>\$ 9,725,706</u>	<u>\$ (7,832,314)</u>	<u>\$ 8,513,712</u>	<u>\$ (7,587,031)</u>

- The cost of all governmental activities this year was \$9.7 million.
- Federal and State governments and charges for services subsidized certain programs with grants and contributions and other local revenues of \$1.9 million.
- Net cost of governmental activities of \$7.8 million was financed by general revenues, which are made up of primarily property taxes of \$6.8 million and state aid of \$2.4 million. Investment earnings accounted for \$40,157 of funding.

**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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
YEAR ENDED JUNE 30, 2022**

**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The General Fund comprises 82 percent of the total fund balance. The entire General Fund's fund balance is unassigned.

The General Fund is the principal operating fund of the District. The increase in fund balance of \$809,260 to \$2.2 million was primarily a result of an increase in property tax revenues. General Fund revenues increased \$356,288. General Fund expenditures increased \$644,084 as a result of increased salaries and related benefits and student transportation costs.

The Civic Center Fund's fund balance increased \$76,406 to \$151,826 at fiscal year end.

The Debt Service Fund had revenues of \$1.2 million primarily consisting of property tax revenues and expenditures of \$1.2 million.

The Unrestricted Capital Outlay Fund's fund balance decreased \$252,490 to a deficit of \$506,260 at fiscal year end primarily due to limited allocations of state aid to the fund.

**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 \$485,729 decrease, or six percent.

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 total favorable variance of \$365,055 was a result of budgeting to the maximum general budget limit to maximize budget carryforward to provide capacity in future years.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
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 \$24.9 million in capital assets, including school buildings, athletic facilities, buses and other vehicles, computers, and other equipment. This amount represents a net increase prior to depreciation of \$1.0 million from the prior fiscal year, primarily due to school improvements and the lease of five buses. Total depreciation expense for the current fiscal year was \$560,432.

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	\$ 37,760	\$ 37,760
Capital assets - depreciable, net	16,879,403	16,421,389
Total	\$ 16,917,163	\$ 16,459,149

Additional information on the District’s capital assets can be found in Note 7.

**Debt Administration.** At year end, the District had \$12.4 million in long-term debt outstanding, \$963,489 due within one year. Long-term debt increased by \$47,793.

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 \$66.7 million and the Class B debt limit is \$44.5 million, which are more than the District’s total outstanding general obligation and Class B debt, respectively.

Additional information on the District’s long-term debt can be found in Notes 8 through 10.

**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 carry forward (estimated \$353,627).
- District student population (estimated 589).

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
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 six percent to \$7.6 million in fiscal year 2022-23. Increased payroll and employee benefit costs is the primary reason for the increase. State aid and property taxes are expected to be the primary funding sources. No new 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, Continental Elementary School District No. 39, 1991 E. White House Canyon Road; Green Valley, Arizona 85614.

## **BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

	Governmental Activities
<b><u>ASSETS</u></b>	
Current assets:	
Cash and investments	\$ 3,018,078
Property taxes receivable	250,456
Deposits held by others	4,527
Due from governmental entities	34,273
Leases receivable	1,661,718
Total current assets	4,969,052
Noncurrent assets:	
Capital assets not being depreciated	37,760
Capital assets, net of accumulated depreciation	16,879,403
Total noncurrent assets	16,917,163
<b>Total assets</b>	<b>21,886,215</b>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>	
Deferred charge on refunding	69,048
Pension plan items	1,021,104
<b>Total deferred outflows of resources</b>	<b>1,090,152</b>
<b><u>LIABILITIES</u></b>	
Current liabilities:	
Accounts payable	191,389
Accrued payroll and employee benefits	105,526
Compensated absences payable	10,000
Unearned revenues	61,273
Financed purchases payable	152,489
Bonds payable	811,000
Total current liabilities	1,331,677
Noncurrent liabilities:	
Non-current portion of long-term obligations	15,134,251
Total noncurrent liabilities	15,134,251
<b>Total liabilities</b>	<b>16,465,928</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>	
Pension plan items	1,241,089
Leases	1,642,376
<b>Total deferred inflows of resources</b>	<b>2,883,465</b>
<b><u>NET POSITION</u></b>	
Net investment in capital assets	4,606,467
Restricted for:	
Instruction	402,098
Food service	241,858
Non-instructional purposes	270,723
Debt service	98,336
Capital outlay	91,064
Unrestricted	(2,083,572)
<b>Total net position</b>	<b>\$ 3,626,974</b>

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

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2022**

<b>Functions/Programs</b>	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Governmental activities:</b>					
Instruction	\$ 6,101,686	\$ 215,220	\$ 635,887	\$ 233,436	\$ (5,017,143)
Support services - students and staff	755,515		145,285		(610,230)
Support services - administration	820,394		11,546		(808,848)
Operation and maintenance of plant services	838,845	80,124	14,034		(744,687)
Student transportation services	546,290		6,647		(539,643)
Operation of non-instructional services	330,866	138,897	412,316		220,347
Interest on long-term debt	332,110				(332,110)
<b>Total governmental activities</b>	<u>\$ 9,725,706</u>	<u>\$ 434,241</u>	<u>\$ 1,225,715</u>	<u>\$ 233,436</u>	<u>\$ (7,832,314)</u>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	5,648,844
Property taxes, levied for debt service	1,153,655
Property taxes, levied for capital outlay	6,710
Investment income	40,157
Unrestricted state aid	2,385,841
<b>Total general revenues</b>	<u>9,235,207</u>

**Changes in net position**

1,402,893

**Net position, beginning of year**

2,224,081

**Net position, end of year**

\$ 3,626,974

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

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**FUND FINANCIAL STATEMENTS**

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2022**

	General	Civic Center	Debt Service
<b><u>ASSETS</u></b>			
Cash and investments	\$ 1,880,044	\$ 132,484	\$ 70,039
Property taxes receivable	215,449		28,297
Deposits held by others			
Due from governmental entities			
Due from other funds	436,019		
Leases receivable		1,661,718	
<b>Total assets</b>	<b>\$ 2,531,512</b>	<b>\$ 1,794,202</b>	<b>\$ 98,336</b>
 <b><u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES</u></b>			
<b><u>AND FUND BALANCES</u></b>			
Liabilities:			
Accounts payable	\$ 49,497	\$	\$
Due to other funds			
Accrued payroll and employee benefits	61,575		
Unearned revenues			
<b>Total liabilities</b>	<b>111,072</b>		
Deferred inflows of resources:			
Unavailable revenues - property taxes	179,907		21,884
Unavailable revenues - intergovernmental			
Leases		1,642,376	
<b>Total deferred inflows of resources</b>	<b>179,907</b>	<b>1,642,376</b>	<b>21,884</b>
Fund balances (deficits):			
Restricted		151,826	76,452
Unassigned	2,240,533		
<b>Total fund balances</b>	<b>2,240,533</b>	<b>151,826</b>	<b>76,452</b>
 <b>Total liabilities, deferred inflows of resources and fund balances</b>	 <b>\$ 2,531,512</b>	 <b>\$ 1,794,202</b>	 <b>\$ 98,336</b>

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

<u>Unrestricted Capital Outlay</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 1,683	\$ 935,511	\$ 3,018,078
	5,027	250,456
	4,527	4,527
	34,273	34,273
		436,019
		1,661,718
<u>\$ 1,683</u>	<u>\$ 979,338</u>	<u>\$ 5,405,071</u>
\$ 123,473	\$ 18,419	\$ 191,389
382,787	53,232	436,019
	43,951	105,526
	61,273	61,273
<u>506,260</u>	<u>176,875</u>	<u>794,207</u>
1,683	5,027	208,501
	16,794	16,794
		1,642,376
<u>1,683</u>	<u>21,821</u>	<u>1,867,671</u>
	848,890	1,077,168
(506,260)	(68,248)	1,666,025
<u>(506,260)</u>	<u>780,642</u>	<u>2,743,193</u>
<u>\$ 1,683</u>	<u>\$ 979,338</u>	<u>\$ 5,405,071</u>

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**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2022**

<b>Total governmental fund balances</b>		<b>\$ 2,743,193</b>
<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	\$ 24,939,663	
Less accumulated depreciation/amortization	<u>(8,022,500)</u>	16,917,163
<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	208,501	
Intergovernmental	<u>16,794</u>	225,295
<p>Deferred items related to the refunding of bonds are amortized over the life of the associated bond issue in the government-wide statements but not reported in the funds.</p>		
		69,048
<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	1,021,104	
Deferred inflows of resources related to pensions	<u>(1,241,089)</u>	(219,985)
<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	(129,072)	
Financed purchases payable	(708,788)	
Net pension liability	(3,598,924)	
Bonds payable	<u>(11,670,956)</u>	<u>(16,107,740)</u>
<b>Net position of governmental activities</b>		<b><u><u>\$ 3,626,974</u></u></b>

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

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	General	Civic Center	Debt Service
<b>Revenues:</b>			
Other local	\$ 265,863	\$ 76,406	\$ 27,638
Property taxes	5,664,229		1,155,847
State aid and grants	1,731,086		
Federal aid, grants and reimbursements			
<b>Total revenues</b>	7,661,178	76,406	1,183,485
<b>Expenditures:</b>			
Current -			
Instruction	4,561,895		
Support services - students and staff	488,722		
Support services - administration	742,310		
Operation and maintenance of plant services	651,454		
Student transportation services	383,400		
Operation of non-instructional services	15,858		
Capital outlay	8,279		
Debt service -			
Principal retirement			805,000
Interest and fiscal charges			338,759
Bond issuance costs			81,606
<b>Total expenditures</b>	6,851,918	76,406	1,225,365
<b>Excess (deficiency) of revenues over expenditures</b>	809,260	76,406	(41,880)
<b>Other financing sources (uses):</b>			
Financed purchase agreements			
Issuance of refunding bonds			8,163,000
Payment to refunded bond escrow agent			(8,081,394)
<b>Total other financing sources (uses)</b>			81,606
<b>Changes in fund balances</b>	809,260	76,406	39,726
<b>Fund balances (deficits), beginning of year, as restated</b>	1,431,273	75,420	36,726
<b>Fund balances (deficits), end of year</b>	\$ 2,240,533	\$ 151,826	\$ 76,452

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

Unrestricted Capital Outlay	Non-Major Governmental Funds	Total Governmental Funds
\$ 11,770	\$ 293,886	\$ 675,563
		6,820,076
120,969	596,605	2,448,660
	1,188,649	1,188,649
<u>132,739</u>	<u>2,079,140</u>	<u>11,132,948</u>
	1,145,117	5,707,012
	271,378	760,100
	32,529	774,839
	22,256	673,710
	16,763	400,163
	307,303	323,161
1,094,017	262,428	1,364,724
		805,000
		338,759
		81,606
<u>1,094,017</u>	<u>2,057,774</u>	<u>11,229,074</u>
<u>(961,278)</u>	<u>21,366</u>	<u>(96,126)</u>
708,788		708,788
		8,163,000
		(8,081,394)
<u>708,788</u>		<u>790,394</u>
<u>(252,490)</u>	<u>21,366</u>	<u>694,268</u>
(253,770)	759,276	2,048,925
<u>\$ (506,260)</u>	<u>\$ 780,642</u>	<u>\$ 2,743,193</u>

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**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** **\$ 694,268**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

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.

Expenditures for capitalized assets	\$ 1,018,446	
Less current year depreciation	<u>(560,432)</u>	458,014

Issuance of long-term debt provides current financial resources to governmental funds, but the issuance increases long-term liabilities in the Statement of Net Position.

Issuance of Refunding bonds	(8,163,000)	
Financed purchase agreements	<u>(708,788)</u>	(8,871,788)

Some revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Property taxes	(10,867)	
Intergovernmental	<u>6,518</u>	(4,349)

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.

Bond principal retirement	<u>8,725,000</u>	8,725,000
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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.

Current year pension contributions	483,075	
Pension expense	<u>(273,139)</u>	209,936

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.

Deferred bond items on issuance of refunding debt	76,720	
Amortization of deferred bond items	91,323	
Compensated absences	<u>23,769</u>	<u>191,812</u>

**Changes in net position in governmental activities** **\$ 1,402,893**

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

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

The financial statements of the Continental Elementary School District No. 39 (District) 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. Beginning balances for leases receivable and deferred inflows for leases were restated by \$1,675,894 each, resulting in no net effect on 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.

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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

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, food services, bookstore, and athletic functions.

**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 state aid, and other items not included among program revenues are reported instead as general revenues.

**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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

**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.

Property taxes, state aid, tuition 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.

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 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.

**Civic Center** – The Civic Center accounts for monies received from the rental of school facilities for civic activities.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

Debt Service Fund – The Debt Service Fund accounts for the accumulation of resources for, and the payment of, long-term debt principal, interest and related costs.

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.

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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

**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.

**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. Prepaid Items**

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

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

**I. Capital Assets**

Capital assets, which include land and improvements; buildings and improvements; vehicles, furniture, and equipment; and construction in progress, 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	5 – 50 years
Buildings and improvements	5 – 50 years
Vehicles, furniture and equipment	5 – 30 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 leave policies generally provide for granting sick leave with pay in varying amounts. Only benefits considered vested are recognized in the financial statements. The liability for 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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

**L. Leases**

As lessor, if there is no stated rate in the lease contract (or if the stated rate is not the rate the District charges the lessee) and the implicit rate cannot be determined, the District uses an interest rate based on the Applicable Federal Rate as the discount rate to measure lease receivables.

**M. 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.

**N. 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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

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

**O. 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.

**P. 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.

**Q. 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.

**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 are 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. The District does not have a formal policy or procedures for the utilization of committed fund balance, accordingly, no committed fund balance amounts are reported.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 2 – FUND BALANCE CLASSIFICATIONS**

*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 District does not have a formal policy or procedures for the utilization of assigned fund balance, accordingly, no assigned fund balance amounts are reported.

*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.

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

	General Fund	Civic Center Fund	Debt Service Fund	Unrestricted Capital Outlay	Non-Major Governmental Funds
Fund Balances:					
Restricted:					
Debt service	\$	\$	\$ 76,452	\$	\$
Capital projects					86,037
Voter approved teacher incentives					83,572
Federal and state projects					17,076
Food service					241,858
Civic Center		151,826			
Community school					115,659
Extracurricular activities					288,004
Student activities					11,144
Other purposes					5,540
Unassigned	2,240,533			(506,260)	(68,248)
Total fund balances	\$ 2,240,533	\$ 151,826	\$ 76,452	\$ (506,260)	\$ 780,642

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 3 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

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

	Deficit
Major Fund:	
Unrestricted Capital Outlay	\$ 506,260
Non-Major Governmental Funds:	
Classroom Site	51,454
Limited English & Immigrant Students	1,778
Other Federal Projects	15,016

The deficits arose because of operations during the year. Additional revenues received in fiscal year 2022-23 are expected to eliminate the deficits.

**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 \$331 and the bank balance was \$57,192.

*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 State Treasurer’s pools are external investment pools, the Local Government Investment Pool (Pool 5) and Local Government Investment Pool-Government (Pool 7), with no regulatory oversight. The pools as an investment company are not registered with the Securities and Exchange Commission. The activity and performance of the pools are reviewed monthly by the State Board of Investment. The fair value of each participant’s position in the State Treasurer investment pools 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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 4 – CASH AND INVESTMENTS**

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:

	Average Maturities	Fair Value
County Treasurer’s investment pool	166 days	\$ 3,017,691
State Treasurer’s investment pool 7	33 days	56
Total		\$ 3,017,747

*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. The State Treasurer’s Local Government Investment Pool 7 was rated AAA by Moody’s at year end.

*Custodial Credit Risk – Investments.* The District’s investment in the State and County Treasurer’s investment pools 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 non-major governmental funds in the aggregate were as follows:

	Non-Major Governmental Funds
Due from other governmental entities:	
Due from federal government	\$ 23,255
Due from state government	11,018
Net due from governmental entities	\$ 34,273

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 6 – LEASES RECEIVABLE**

The District acts as a lessor for a cell tower agreement under the provisions of a contract classified as a lease. The related receivable under the lease agreement has been recorded at the present value of its future minimum lease payments as of the inception date. Lease revenue of \$33,518 is recorded as other local revenue in the Civic Center Fund, a major governmental fund.

Future minimum lease payments to be received under the lease agreement at year end is summarized as follows:

Year ending June 30:			
2023	\$		18,000
2024			18,000
2025			18,000
2026			18,000
2027			18,540
2028-32			101,384
2033-37			117,532
2038-42			136,252
2043-47			157,953
2048-52			183,110
2053-57			212,276
2058-62			246,086
2063-67			285,283
2068-71			260,608
Total			\$ 1,791,024

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 7 – 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:				
Land	\$ 37,760	\$	\$	\$ 37,760
Total capital assets, not being depreciated	<u>37,760</u>			<u>37,760</u>
Capital assets, being depreciated:				
Land improvements	248,734	77,574		326,308
Buildings and improvements	22,052,178	38,076		22,090,254
Vehicles, furniture and equipment	1,582,545	902,796		2,485,341
Total capital assets being depreciated	<u>23,883,457</u>	<u>1,018,446</u>		<u>24,901,903</u>
Less accumulated depreciation for:				
Land improvements	(28,582)	(20,472)		(49,054)
Buildings and improvements	(6,498,173)	(435,316)		(6,933,489)
Vehicles, furniture and equipment	(935,313)	(104,644)		(1,039,957)
Total accumulated depreciation	<u>(7,462,068)</u>	<u>(560,432)</u>		<u>(8,022,500)</u>
Total capital assets, being depreciated, net	<u>16,421,389</u>	<u>458,014</u>		<u>16,879,403</u>
Governmental activities capital assets, net	<u>\$ 16,459,149</u>	<u>\$ 458,014</u>	<u>\$</u>	<u>\$ 16,917,163</u>

Depreciation expense was charged to governmental functions as follows:

Instruction	\$ 309,827
Support services – students and staff	283
Support services – administration	6,204
Operation and maintenance of plant services	151,629
Student transportation services	91,336
Operation of non-instructional services	1,153
Total depreciation expense – governmental activities	<u>\$ 560,432</u>

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 8 – FINANCED PURCHASES PAYABLE**

The District has acquired school buses under the provisions of a contract classified as a financed purchase payable. Revenues from the Unrestricted Capital Outlay Fund are used to pay the debt obligations.

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	\$ 152,489	\$ 1,488
2024	130,613	23,365
2025	136,099	17,879
2026	141,815	12,163
2027	147,772	6,206
Total	<u>\$ 708,788</u>	<u>\$ 61,101</u>

**NOTE 9 – GENERAL OBLIGATION BONDS PAYABLE**

Bonds payable at year end consisted of the following outstanding general obligation bonds. The bonds are both callable and non callable with interest payable semiannually. Property taxes from the Debt Service Fund are used to pay bonded debt. The District's legal debt limit is \$66.7 million and the available margin is \$55.1 million.

Purpose	Original Amount Issued	Interest Rates	Remaining Maturities	Outstanding Principal June 30, 2022	Due Within One Year
<b>Governmental activities:</b>					
General obligation bonds:					
School Improvement Bonds,					
Project 2010, Series C (2013)	\$ 4,815,000	3.125-4.00%	7/1/23-32	\$ 3,590,000	\$ 150,000
Private placement general obligation bonds:					
Refunding Bonds, Series 2022	8,163,000	1.65%	7/1/23-31	8,028,000	661,000
Total				<u>\$ 11,618,000</u>	<u>\$ 811,000</u>

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 9 – GENERAL OBLIGATION BONDS PAYABLE**

Annual debt service requirements to maturity on general obligation bonds at year end are summarized as follows:

<u>Year ending June 30:</u>	Governmental Activities			
	General Obligation Bonds		Private Placement General Obligation Bonds	
	Principal	Interest	Principal	Interest
2023	\$ 150,000	\$ 115,626	\$ 661,000	\$ 132,462
2024	150,000	109,626	720,000	121,556
2025	150,000	103,626	784,000	109,676
2026	200,000	97,626	848,000	96,740
2027	200,000	91,626	914,000	82,748
2028-32	2,740,000	356,254	4,101,000	168,250
Total	\$ 3,590,000	\$ 874,384	\$ 8,028,000	\$ 711,432

**Refunding Bonds** - During the year ended June 30, 2022, the District issued \$8.2 million in refunding bonds, with an effective interest rate of 1.65 percent, to advance refund \$7.9 million of outstanding general obligation bonds, with an average interest rate of 4.44 percent. The net proceeds of \$8.1 million (after payment of \$81,606 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent, to provide for all future debt service payments of the refunded general obligation bonds. As a result, the refunded general obligation bonds are considered to be defeased, and the liability for those bonds has been removed from the government-wide financial statements. The reacquisition price exceeded the net carrying amount of the old debt by \$76,720. This amount is reported as deferred charges and amortized over the new debt's life. This advance refunding was undertaken to reduce total debt service payments over the next 10 years by \$1.1 million and resulted in an economic gain of \$1.0 million.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 10 – 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
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$ 12,180,000	\$	\$ 8,590,000	\$ 3,590,000	\$ 150,000
Private placement general obligation bonds		8,163,000	135,000	8,028,000	661,000
Premium	151,951		98,995	52,956	
Total bonds payable	<u>12,331,951</u>	<u>8,163,000</u>	<u>8,823,995</u>	<u>11,670,956</u>	<u>811,000</u>
Financed purchases payable		708,788		708,788	152,489
Net pension liability	4,917,266		1,318,342	3,598,924	
Compensated absences payable	152,841	11,621	35,390	129,072	10,000
Governmental activity long-term liabilities	<u>\$ 17,402,058</u>	<u>\$ 8,883,409</u>	<u>\$10,177,727</u>	<u>\$ 16,107,740</u>	<u>\$ 973,489</u>

**NOTE 11 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

**Due to/from other funds** – At year end, the Unrestricted Capital Outlay Fund and several nonmajor governmental funds, had negative cash balance of \$436,019 in the Treasurer’s pooled cash accounts. Negative cash on deposit with the County Treasurer was reduced by interfund borrowing with the General Fund. All interfund balances are expected to be paid within one year.

**NOTE 12 – 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 amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the District expects such amounts, if any, to be immaterial.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 13 – PRIOR PERIOD ADJUSTMENT**

The July 1, 2021 fund balances of the General Fund and Food Service Fund, a non-major governmental fund, do not agree to the prior year financial statements due to the reclassification of fund balances. There was no net effect on beginning net position related to the implementation of GASB Statement No. 87, *Leases*.

	Statement of Activities	Governmental Funds	
		General Fund	Food Service Fund
Net position/fund balance, June 30, 2021, as previously reported	\$ 2,048,925	\$ 1,556,813	\$ 22,407
Recognition of leases receivable	1,675,894		
Deferred inflows related to leases	(1,675,894)		
Reclassify fund balance		(125,540)	125,540
Net position/fund balance, July 1, 2021, as restated	<u>\$ 2,048,925</u>	<u>\$ 1,431,273</u>	<u>\$ 147,947</u>

**NOTE 14 – 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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 14 – RISK MANAGEMENT**

The District continues to carry commercial insurance for all other risks of loss, including dental and vision insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**NOTE 15 – 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](http://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	

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 15 – PENSIONS**

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

**Contributions.** In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the 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 \$483,075.

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 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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 15 – 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)
\$ 3,598,924	0.027	(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 \$273,139.

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	\$ 54,862	\$
Changes of assumptions or other inputs	468,429	
Net difference between projected and actual earnings on pension investments		1,140,266
Changes in proportion and differences between contributions and proportionate share of contributions	14,738	100,823
Contributions subsequent to the measurement date	483,075	
Total	\$ 1,021,104	\$ 1,241,089

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 15 – PENSIONS**

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	\$	(23,912)
2024		(34,834)
2025		(251,370)
2026		(392,944)

**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.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2022**

**NOTE 15 – PENSIONS**

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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

**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	\$ 5,660,807	\$ 3,598,924	\$ 1,879,885

**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](http://www.azasrs.gov).

**REQUIRED SUPPLEMENTARY INFORMATION**

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**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		
<b>Revenues:</b>				
Other local	\$	\$	\$ 167,514	\$ 167,514
Property taxes			5,664,229	5,664,229
State aid and grants			1,731,086	1,731,086
<b>Total revenues</b>			<u>7,562,829</u>	<u>7,562,829</u>
<b>Expenditures:</b>				
Current -				
Instruction	4,909,385	4,784,305	4,531,944	252,361
Support services - students and staff	562,058	497,112	481,516	15,596
Support services - administration	943,717	786,538	777,570	8,968
Operation and maintenance of plant services	782,584	725,798	651,304	74,494
Student transportation services	477,937	393,443	383,400	10,043
Operation of non-instructional services	16,695	19,451	15,858	3,593
<b>Total expenditures</b>	<u>7,692,376</u>	<u>7,206,647</u>	<u>6,841,592</u>	<u>365,055</u>
<b>Changes in fund balances</b>	<u>(7,692,376)</u>	<u>(7,206,647)</u>	<u>721,237</u>	<u>7,927,884</u>
<b>Fund balances, beginning of year, as restated</b>			905,822	905,822
<b>Fund balances (deficits), end of year</b>	<u>\$ (7,692,376)</u>	<u>\$ (7,206,647)</u>	<u>\$ 1,627,059</u>	<u>\$ 8,833,706</u>

See accompanying notes to this schedule.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL  
CIVIC CENTER  
YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Variance with Final Budget Positive (Negative)
	<u>Original &amp; Final</u>	<u>Actual</u>	<u>(Negative)</u>
<b>Revenues:</b>			
Other local	\$	\$ 76,406	\$ 76,406
<b>Total revenues</b>		<u>76,406</u>	<u>76,406</u>
<b>Expenditures:</b>			
Current -			
Operation of non-instructional services	22,500		22,500
<b>Total expenditures</b>	<u>22,500</u>		<u>22,500</u>
<b>Changes in fund balances</b>	<u>(22,500)</u>	<u>76,406</u>	<u>98,906</u>
<b>Fund balances, beginning of year</b>		75,420	75,420
<b>Fund balances (deficits), end of year</b>	<u>\$ (22,500)</u>	<u>\$ 151,826</u>	<u>\$ 174,326</u>

See accompanying notes to this schedule.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**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	0.03%	0.03%	0.03%	0.03%
District's proportionate share of the net pension (assets) liability	\$ 3,598,924	\$ 4,917,266	\$ 4,083,056	\$ 3,971,958
District's covered payroll	\$ 3,073,425	\$ 3,096,323	\$ 2,958,140	\$ 2,829,312
District's proportionate share of the net pension (assets) liability as a percentage of its covered payroll	117.10%	158.81%	138.03%	140.39%
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	\$ 483,075	\$ 358,054	\$ 354,529	\$ 330,720
Contributions in relation to the actuarially determined contribution	<u>483,075</u>	<u>358,054</u>	<u>354,529</u>	<u>330,720</u>
Contribution deficiency (excess)	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
District's covered payroll	\$ 4,022,273	\$ 3,073,425	\$ 3,096,323	\$ 2,958,140
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
0.03%	0.03%	0.03%	0.02%
\$ 4,433,513	\$ 4,514,639	\$ 4,149,697	\$ 3,655,420
\$ 2,773,525	\$ 2,615,060	\$ 2,451,350	\$ 2,494,879
159.85%	172.64%	169.28%	146.52%
69.92%	67.06%	68.35%	69.49%

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 308,395	\$ 298,986	\$ 283,734	\$ 266,952
<u>308,395</u>	<u>298,986</u>	<u>283,734</u>	<u>266,952</u>
<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>
\$ 2,829,312	\$ 2,773,525	\$ 2,615,060	\$ 2,451,350
10.90%	10.78%	10.85%	10.89%

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**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 items.

- Certain activities reported in the General Fund are budgeted in separate funds in accordance with Arizona Revised Statutes.
- Employee insurance expenditures are budgeted in the year the employee insurance account is funded.

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

	Total Expenditures	Fund Balances End of Year
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	\$ 6,851,918	\$ 2,240,533
Activity budgeted as special revenue funds	(50,477)	(432,161)
Activity budgeted as capital projects funds		(40,775)
Employee insurance account	40,151	(140,538)
Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	\$ 6,841,592	\$ 1,627,059

**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**

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Classroom Site		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 1,635	\$ 1,635
State aid and grants		500,445	500,445
Federal aid, grants and reimbursements			
<b>Total revenues</b>		<u>502,080</u>	<u>502,080</u>
<b>Expenditures:</b>			
Current -			
Instruction	738,558	647,636	90,922
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
<b>Total expenditures</b>	<u>738,558</u>	<u>647,636</u>	<u>90,922</u>
<b>Changes in fund balances</b>	<u>(738,558)</u>	<u>(145,556)</u>	<u>593,002</u>
<b>Fund balances (deficits), beginning of year, as restated</b>		94,102	94,102
<b>Fund balances (deficits), end of year</b>	<u>\$ (738,558)</u>	<u>\$ (51,454)</u>	<u>\$ 687,104</u>

Instructional Improvement			English Language Learner		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 176	\$ 176	\$	\$ 2	\$ 2
	33,341	33,341			
	<u>33,517</u>	<u>33,517</u>		<u>2</u>	<u>2</u>
30,725		30,725			
<u>30,725</u>		<u>30,725</u>			
<u>(30,725)</u>	<u>33,517</u>	<u>64,242</u>		<u>2</u>	<u>2</u>
	50,055	50,055		245	245
<u>\$ (30,725)</u>	<u>\$ 83,572</u>	<u>\$ 114,297</u>	<u>\$</u>	<u>\$ 247</u>	<u>\$ 247</u>

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2022**

	Student Success		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>			
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
<b>Total expenditures</b>			
<b>Changes in fund balances</b>			
<b>Fund balances (deficits), beginning of year, as restated</b>		38	38
<b>Fund balances (deficits), end of year</b>	\$	\$ 38	\$ 38

Title I Grants			Professional Development and Technology Grants		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	43,076	43,076		11,620	11,620
	43,076	43,076		11,620	11,620
70,868	31,992	38,876			
	6,750	(6,750)	36,152	11,600	24,552
	4,334	(4,334)		20	(20)
<u>70,868</u>	<u>43,076</u>	<u>27,792</u>	<u>36,152</u>	<u>11,620</u>	<u>24,532</u>
<u>(70,868)</u>		<u>70,868</u>	<u>(36,152)</u>		<u>36,152</u>
<u>\$ (70,868)</u>	<u>\$</u>	<u>\$ 70,868</u>	<u>\$ (36,152)</u>	<u>\$</u>	<u>\$ 36,152</u>

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Title IV Grants		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		5,708	5,708
<b>Total revenues</b>		<u>5,708</u>	<u>5,708</u>
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff	16,491	622	15,869
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
<b>Total expenditures</b>	<u>16,491</u>	<u>622</u>	<u>15,869</u>
<b>Changes in fund balances</b>	<u>(16,491)</u>	<u>5,086</u>	<u>21,577</u>
<b>Fund balances (deficits), beginning of year, as restated</b>		(5,086)	(5,086)
<b>Fund balances (deficits), end of year</b>	<u>\$ (16,491)</u>	<u>\$</u>	<u>\$ 16,491</u>



**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Special Education Grants		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other local	\$	\$	\$
State aid and grants			
Federal aid, grants and reimbursements		183,011	183,011
<b>Total revenues</b>		183,011	183,011
<b>Expenditures:</b>			
Current -			
Instruction		70,356	(70,356)
Support services - students and staff	242,525	106,699	135,826
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay		5,956	(5,956)
<b>Total expenditures</b>	242,525	183,011	59,514
<b>Changes in fund balances</b>	(242,525)		242,525
<b>Fund balances (deficits), beginning of year, as restated</b>			
<b>Fund balances (deficits), end of year</b>	\$ (242,525)	\$	\$ 242,525

Medicaid Reimbursement			E-Rate		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 128	\$ 128	\$	\$ 35	\$ 35
				8,635	8,635
	<u>128</u>	<u>128</u>		<u>8,670</u>	<u>8,670</u>
				3,340	(3,340)
			9,500	8,635	865
			<u>9,500</u>	<u>11,975</u>	<u>(2,475)</u>
	<u>128</u>	<u>128</u>	<u>(9,500)</u>	<u>(3,305)</u>	<u>6,195</u>
	550	550		19,382	19,382
<u>\$</u>	<u>\$ 678</u>	<u>\$ 678</u>	<u>\$ (9,500)</u>	<u>\$ 16,077</u>	<u>\$ 25,577</u>

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Other Federal Projects		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 149	\$ 149
State aid and grants			
Federal aid, grants and reimbursements		456,489	456,489
<b>Total revenues</b>		456,638	456,638
<b>Expenditures:</b>			
Current -			
Instruction		169,254	(169,254)
Support services - students and staff		17,196	(17,196)
Support services - administration		23,990	(23,990)
Operation and maintenance of plant services		13,501	(13,501)
Student transportation services		16,562	(16,562)
Operation of non-instructional services		6,330	(6,330)
Capital outlay	648,072	222,608	425,464
<b>Total expenditures</b>	648,072	469,441	178,631
<b>Changes in fund balances</b>	(648,072)	(12,803)	635,269
<b>Fund balances (deficits), beginning of year, as restated</b>		(2,213)	(2,213)
<b>Fund balances (deficits), end of year</b>	\$ (648,072)	\$ (15,016)	\$ 633,056

Other State Projects			School Plant		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
	62,819	62,819		4,530	4,530
	<u>62,819</u>	<u>62,819</u>		<u>4,530</u>	<u>4,530</u>
52,972	38,351 24,336	14,621 (24,336)			
			60,188	150	60,038
<u>52,972</u>	<u>62,687</u>	<u>(9,715)</u>	<u>60,188</u>	<u>150</u>	<u>60,038</u>
<u>(52,972)</u>	<u>132</u>	<u>53,104</u>	<u>(60,188)</u>	<u>4,380</u>	<u>64,568</u>
	(132)	(132)		94,722	94,722
<u>\$ (52,972)</u>	<u>\$</u>	<u>\$ 52,972</u>	<u>\$ (60,188)</u>	<u>\$ 99,102</u>	<u>\$ 159,290</u>

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Food Service		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 14,044	\$ 14,044
State aid and grants			
Federal aid, grants and reimbursements		409,819	409,819
<b>Total revenues</b>		<u>423,863</u>	<u>423,863</u>
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services	580,720	300,973	279,747
Capital outlay		28,979	(28,979)
<b>Total expenditures</b>	<u>580,720</u>	<u>329,952</u>	<u>250,768</u>
<b>Changes in fund balances</b>	<u>(580,720)</u>	<u>93,911</u>	<u>674,631</u>
<b>Fund balances (deficits), beginning of year, as restated</b>		147,947	147,947
<b>Fund balances (deficits), end of year</b>	<u>\$ (580,720)</u>	<u>\$ 241,858</u>	<u>\$ 822,578</u>

Community School			Auxiliary Operations		
Budget	Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 104,624	\$ 104,624	\$	\$ 26,637	\$ 26,637
	69,224	69,224			
	<u>173,848</u>	<u>173,848</u>		<u>26,637</u>	<u>26,637</u>
120,752	98,269	22,483	21,559	12,557	9,002
	35	(35)		3,882	(3,882)
	845	(845)			
	120	(120)			
<u>120,752</u>	<u>99,269</u>	<u>21,483</u>	<u>21,559</u>	<u>16,439</u>	<u>5,120</u>
<u>(120,752)</u>	<u>74,579</u>	<u>195,331</u>	<u>(21,559)</u>	<u>10,198</u>	<u>31,757</u>
	41,080	41,080		54,061	54,061
<u>\$ (120,752)</u>	<u>\$ 115,659</u>	<u>\$ 236,411</u>	<u>\$ (21,559)</u>	<u>\$ 64,259</u>	<u>\$ 85,818</u>

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**NON-MAJOR SPECIAL REVENUE FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Extracurricular Activities Fees Tax Credit		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other local	\$	\$ 137,380	\$ 137,380
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>	193,567	137,380	137,380
<b>Expenditures:</b>			
Current -			
Instruction	193,567	89,259	104,308
Support services - students and staff		57,970	(57,970)
Support services - administration			
Operation and maintenance of plant services			
Student transportation services		201	(201)
Operation of non-instructional services			
Capital outlay		4,872	(4,872)
<b>Total expenditures</b>	193,567	152,302	41,265
<b>Changes in fund balances</b>	(193,567)	(14,922)	178,645
<b>Fund balances (deficits), beginning of year, as restated</b>		302,926	302,926
<b>Fund balances (deficits), end of year</b>	\$ (193,567)	\$ 288,004	\$ 481,571

Gifts and Donations			Fingerprint		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 66,795	\$ 66,795	\$	\$	\$
	<u>66,795</u>	<u>66,795</u>			
88,239	17,394	70,845			
	3,324	(3,324)			
	4,891	(4,891)			
	8,279	(8,279)			
<u>88,239</u>	<u>33,888</u>	<u>54,351</u>			
<u>(88,239)</u>	<u>32,907</u>	<u>121,146</u>			
	228,609	228,609		53	53
<u>\$ (88,239)</u>	<u>\$ 261,516</u>	<u>\$ 349,755</u>	<u>\$</u>	<u>\$ 53</u>	<u>\$ 53</u>

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2022**

	Textbooks		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other local	\$	\$ 246	\$ 246
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>		246	246
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
<b>Total expenditures</b>			
<b>Changes in fund balances</b>		246	246
<b>Fund balances (deficits), beginning of year, as restated</b>		1,882	1,882
<b>Fund balances (deficits), end of year</b>	\$	\$ 2,128	\$ 2,128

Litigation Recovery			Indirect Costs		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 25	\$ 25	\$	\$ 11	\$ 11
	<u>25</u>	<u>25</u>		<u>11</u>	<u>11</u>
	<u>25</u>	<u>25</u>		<u>11</u>	<u>11</u>
	4,423	4,423		2,109	2,109
<u>\$</u>	<u>\$ 4,448</u>	<u>\$ 4,448</u>	<u>\$</u>	<u>\$ 2,120</u>	<u>\$ 2,120</u>

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**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	
<b>Revenues:</b>			
Other local	\$	\$ 3,127	\$ 3,127
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>		<u>3,127</u>	<u>3,127</u>
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff			
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
<b>Total expenditures</b>			
<b>Changes in fund balances</b>		<u>3,127</u>	<u>3,127</u>
<b>Fund balances (deficits), beginning of year, as restated</b>			
<b>Fund balances (deficits), end of year</b>	<u>\$</u>	<u>\$ 3,127</u>	<u>\$ 3,127</u>

Grants and Gifts to Teachers			Advertisement		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 1	\$ 1	\$	\$	\$
	1	1			
	1	1			
	173	173		58	58
\$	\$ 174	\$ 174	\$	\$ 58	\$ 58

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -  
 BUDGET AND ACTUAL  
 NON-MAJOR SPECIAL REVENUE FUNDS  
 YEAR ENDED JUNE 30, 2022**

	Student Activities		Variance - Positive (Negative)
	Budget	Actual	
<b>Revenues:</b>			
Other local	\$	\$ 31,612	\$ 31,612
State aid and grants			
Federal aid, grants and reimbursements			
<b>Total revenues</b>	<u>                    </u>	<u>31,612</u>	<u>31,612</u>
<b>Expenditures:</b>			
Current -			
Instruction			
Support services - students and staff	87,942	46,170	41,772
Support services - administration			
Operation and maintenance of plant services			
Student transportation services			
Operation of non-instructional services			
Capital outlay			
<b>Total expenditures</b>	<u>87,942</u>	<u>46,170</u>	<u>41,772</u>
<b>Changes in fund balances</b>	<u>(87,942)</u>	<u>(14,558)</u>	<u>73,384</u>
<b>Fund balances (deficits), beginning of year, as restated</b>		25,702	25,702
<b>Fund balances (deficits), end of year</b>	<u>\$ (87,942)</u>	<u>\$ 11,144</u>	<u>\$ 99,086</u>

Totals		
Budget	Non-GAAP Actual	Variance - Positive (Negative)
\$	\$ 391,157	\$ 391,157
	596,605	596,605
	1,188,649	1,188,649
	<u>2,176,411</u>	<u>2,176,411</u>
1,318,740	1,175,068	143,672
383,110	278,584	104,526
	37,420	(37,420)
69,688	22,406	47,282
	16,763	(16,763)
580,720	307,303	273,417
648,072	270,694	377,378
<u>3,000,330</u>	<u>2,108,238</u>	<u>892,092</u>
<u>(3,000,330)</u>	<u>68,173</u>	<u>3,068,503</u>
	1,058,593	1,058,593
<u>\$ (3,000,330)</u>	<u>\$ 1,126,766</u>	<u>\$ 4,127,096</u>

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**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**SCHEDULE OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**DEBT SERVICE**  
**YEAR ENDED JUNE 30, 2022**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Other local	\$	\$	\$ 27,638	\$ 27,638
Property taxes			1,155,847	1,155,847
<b>Total revenues</b>			<u>1,183,485</u>	<u>1,183,485</u>
<b>Expenditures:</b>				
Debt service -				
Principal retirement	237,163	805,000	805,000	
Interest and fiscal charges		763,300	338,759	424,541
Bond issuance costs			81,606	(81,606)
<b>Total expenditures</b>	<u>237,163</u>	<u>1,568,300</u>	<u>1,225,365</u>	<u>342,935</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(237,163)</u>	<u>(1,568,300)</u>	<u>(41,880)</u>	<u>1,526,420</u>
<b>Other financing sources (uses):</b>				
Issuance of refunding bonds			8,163,000	8,163,000
Payment to refunded bond escrow agent			(8,081,394)	(8,081,394)
<b>Total other financing sources (uses)</b>			<u>81,606</u>	<u>81,606</u>
<b>Changes in fund balances</b>	<u>(237,163)</u>	<u>(1,568,300)</u>	<u>39,726</u>	<u>1,608,026</u>
<b>Fund balances, beginning of year</b>			36,726	36,726
<b>Fund balances (deficits), end of year</b>	<u>\$ (237,163)</u>	<u>\$ (1,568,300)</u>	<u>\$ 76,452</u>	<u>\$ 1,644,752</u>

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Insurance Proceeds		
	Budget	Non-GAAP Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other local	\$	\$ 223	\$ 223
State aid and grants			
<b>Total revenues</b>		223	223
<b>Expenditures:</b>			
Capital outlay			
<b>Total expenditures</b>			
<b>Changes in fund balances</b>		223	223
<b>Fund balances (deficits), beginning of year</b>		40,552	40,552
<b>Fund balances (deficits), end of year</b>	\$	\$ 40,775	\$ 40,775

Unrestricted Capital Outlay			Adjacent Ways		
Budget	Non-GAAP Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$ 11,770	\$ 11,770	\$	\$ 855	\$ 855
	120,969	120,969			
	132,739	132,739		855	855
435,177	385,229	49,948			
435,177	385,229	49,948			
(435,177)	(252,490)	182,687		855	855
	(253,770)	(253,770)		85,159	85,159
\$ (435,177)	\$ (506,260)	\$ (71,083)	\$	\$ 86,014	\$ 86,014

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**ALL CAPITAL PROJECTS FUNDS**  
**YEAR ENDED JUNE 30, 2022**

	Emergency Deficiencies Correction		
	Budget	Actual	Variance - Positive (Negative)
<b>Revenues:</b>			
Other local	\$	\$	\$
State aid and grants			
<b>Total revenues</b>			
<b>Expenditures:</b>			
Capital outlay			
<b>Total expenditures</b>			
<b>Changes in fund balances</b>			
<b>Fund balances (deficits), beginning of year</b>		21	21
<b>Fund balances (deficits), end of year</b>	\$	\$ 21	\$ 21

Building Renewal Grant			New School Facilities		
Budget	Actual	Variance - Positive (Negative)	Budget	Actual	Variance - Positive (Negative)
\$	\$	\$	\$	\$	\$
25,000	13	24,987			
25,000	13	24,987			
(25,000)	(13)	24,987			
	13	13		2	2
\$ (25,000)	\$	\$ 25,000	\$	\$ 2	\$ 2

(Continued)

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**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)
<b>Revenues:</b>			
Other local	\$	\$ 12,848	\$ 12,848
State aid and grants		120,969	120,969
<b>Total revenues</b>		<u>133,817</u>	<u>133,817</u>
<b>Expenditures:</b>			
Capital outlay	460,177	385,242	74,935
<b>Total expenditures</b>	<u>460,177</u>	<u>385,242</u>	<u>74,935</u>
<b>Changes in fund balances</b>	<u>(460,177)</u>	<u>(251,425)</u>	<u>208,752</u>
<b>Fund balances (deficits), beginning of year</b>		(128,023)	(128,023)
<b>Fund balances (deficits), end of year</b>	<u>\$ (460,177)</u>	<u>\$ (379,448)</u>	<u>\$ 80,729</u>

**SINGLE AUDIT SECTION**

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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  
Continental Elementary School District No. 39

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Continental Elementary School District No. 39, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Continental Elementary School District No. 39's basic financial statements, and have issued our report thereon dated March 31, 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 Continental Elementary School District No. 39'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 Continental Elementary School District No. 39's internal control. Accordingly, we do not express an opinion on the effectiveness of Continental Elementary School District No. 39'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 questioned costs 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 questioned costs as item FS-2022-002, 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 questioned costs as item FS-2022-001, to be a significant deficiency.

#### Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Continental Elementary School District No. 39 's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### Continental Elementary School District No. 39 's Response to Findings

*Government Auditing Standards* requires the auditor to perform limited procedures on the Continental Elementary School District No. 39 's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Continental Elementary School District No. 39 '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.  
Tucson, Arizona  
March 31, 2023

**Report on Compliance for Each Major Federal Program;  
Report on Internal Control Over Compliance; and  
Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

Independent Auditor's Report

Governing Board  
Continental Elementary School District No. 39

**Report on Compliance for Each Major Federal Program**

**Opinion on Each Major Federal Program**

We have audited Continental Elementary School District No. 39's compliance with the types of compliance requirements identified as subject to the audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of Continental Elementary School District No. 39's major federal programs for the year ended June 30, 2022. Continental Elementary School District No. 39's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Continental Elementary School District No. 39 complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States (Government Auditing Standards); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Continental Elementary School District No. 39 and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Continental Elementary School District No. 39's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Continental Elementary School District No. 39's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Continental Elementary School District No. 39's compliance based on our audit.

Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate it would influence the judgment made by a reasonable user of the report on compliance about Continental Elementary School District No. 39's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, Government Auditing Standards, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Continental Elementary School District No. 39's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Continental Elementary School District No. 39's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Continental Elementary School District No. 39's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Continental Elementary School District No. 39 as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Continental Elementary School District No. 39's basic financial statements. We issued our report thereon dated March 31, 2023, which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance 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. The information has been subjected to the auditing procedures applied in the audit of the 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Tucson, Arizona  
March 31, 2023

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2021 - 6/30/2022**

<i>Federal Awarding Agency/Program Title</i>	<i>Federal CFDA Number</i>	<i>Additional Award Identification (Optional)</i>	<i>Name of Funder Pass-Through Entity</i>	<i>Identifying Number Assigned By Funder Pass-Through Entity</i>	<i>Federal Expenditures</i>	<i>Federal Program Total</i>	<i>Cluster Name</i>	<i>Cluster Total</i>
<b>DEPARTMENT OF AGRICULTURE</b>								
NATIONAL SCHOOL LUNCH PROGRAM	10.555		ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$16,671	\$16,671	CHILD NUTRITION CLUSTER	\$329,338
SUMMER FOOD SERVICE PROGRAM FOR CHILDREN	10.559		ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$312,667	\$312,667	CHILD NUTRITION CLUSTER	\$329,338
COVID-19 STATE P-EBT ADMINISTRATIVE COSTS GRANT	10.649	COVID-19	ARIZONA DEPARTMENT OF EDUCATION	7AZ300AZ3	\$614	\$614	N/A	\$0
<b>TOTAL DEPARTMENT OF AGRICULTURE</b>					<u>\$329,952</u>			
<b>DEPARTMENT OF TREASURY</b>								
COVID-19 CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUNDS	21.027	COVID-19	ARIZONA GOVERNOR'S OFFICE	ISA-ARPA-CONTSD-042022-137	\$45,768	\$45,768	N/A	\$0
<b>TOTAL DEPARTMENT OF TREASURY</b>					<u>\$45,768</u>			
<b>DEPARTMENT OF EDUCATION</b>								
TITLE I GRANTS TO LOCAL EDUCATIONAL AGENCIES	84.010		ARIZONA DEPARTMENT OF EDUCATION	S010A210003	\$43,076	\$43,076	N/A	\$0
SPECIAL EDUCATION_ GRANTS TO STATES	84.027		ARIZONA DEPARTMENT OF EDUCATION	H027A210007	\$180,311	\$180,311	SPECIAL EDUCATION CLUSTER (IDEA)	\$183,011
SPECIAL EDUCATION_ PRESCHOOL GRANTS	84.173		ARIZONA DEPARTMENT OF EDUCATION	H173A210007	\$1,041	\$2,700	SPECIAL EDUCATION CLUSTER (IDEA)	\$183,011
COVID-19 SPECIAL EDUCATION_ PRESCHOOL GRANTS	84.173	COVID-19, 84.173X	ARIZONA DEPARTMENT OF EDUCATION	H173X210003	\$1,659	\$2,700	SPECIAL EDUCATION CLUSTER (IDEA)	\$183,011
RURAL EDUCATION	84.358	84.358B	ARIZONA DEPARTMENT OF EDUCATION	S358B210003	\$2,838	\$2,838	N/A	\$0
SUPPORTING EFFECTIVE INSTRUCTION STATE GRANTS	84.367		ARIZONA DEPARTMENT OF EDUCATION	S367A210049	\$11,620	\$11,620	N/A	\$0
STUDENT SUPPORT AND ACADEMIC ENRICHMENT PROGRAM	84.424		ARIZONA DEPARTMENT OF EDUCATION	S424A210003	\$622	\$622	N/A	\$0
COVID-19 EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425D	ARIZONA DEPARTMENT OF EDUCATION	S425D210038	\$188,648	\$420,686	N/A	\$0
COVID-19 EDUCATION STABILIZATION FUND	84.425	COVID-19, 84.425U	ARIZONA DEPARTMENT OF EDUCATION	S425U210038	\$232,038	\$420,686	N/A	\$0
<b>TOTAL DEPARTMENT OF EDUCATION</b>					<u>\$661,853</u>			
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>					<u>\$1,037,573</u>			

**Please Note:**  
*Italicized award lines indicate pass-through funding*

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of the schedule.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**Fiscal Period 7/1/2021 - 6/30/2022**

**Significant Accounting Policies Used in Preparing the SEFA**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Continental Elementary School District No. 39 under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or cash flows of the District. Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**10% De Minimis Cost Rate**

The auditee did not use the de minimis cost rate.

**Assistance Listing Numbers**

The program titles and Assistance Listing numbers were obtained from the federal or pass-through grantor or through sam.gov. If the three-digit Assistance Listing extension is unknown, there is a U followed by a two-digit number in the Assistance Listing extension to identify one or more Federal award lines from that program. The first Federal program with an unknown three-digit extension is indicated with U01 for all award lines associated with that program, the second is U02, etc.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

**Summary of Auditor's Results:**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Significant deficiency(ies) identified: Yes
- Material weakness(es) identified: Yes

Noncompliance material to financial statements noted: No

Federal Awards

Internal control over major programs:

- Significant deficiency(ies) identified: No
- Material weakness(es) identified: No

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with §200.516 of Uniform Guidance: No

Identification of major programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
84.425	Education Stabilization Fund

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

Auditee qualified as low-risk auditee: No

**Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards*: Yes**

**Findings and Questioned Costs Related to Federal Awards: No**

**Summary Schedule of Prior Audit Findings required to be reported: Yes**

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2022**

**Finding Number:** FS-2022-001

**Repeat Finding:** No

**Type of Finding:** Significant Deficiency

**Description:** Internal Controls Over Capital Assets

CRITERIA

Management is responsible for establishing internal controls over capital assets to ensure proper reporting in the generally accepted accounting principles (GAAP) basis financial statements. Controls should include preparing complete and accurate capital asset schedules.

CONDITION

The District did not have adequate internal controls in place to prepare complete and accurate capital asset schedules.

CAUSE

The District did not have sufficient controls in place to recognize assets acquired through financed purchases in the proper fiscal year, or to ensure that additions were accurately valued and classified in the capital asset schedules.

EFFECT

As a result of auditor inquiry, management revisions were necessary to properly state capital asset balances and activity in the District's financial statements.

CONTEXT

During our review of the initial capital asset schedules, we noted the following:

- A land improvement was classified in the vehicle, furniture, and equipment category. In addition, the asset's value was understated by \$48,730.
- A building improvement purchase valued at \$15,875; and five busses acquired through a financed purchase totaling \$708,789 were not included on the capital asset schedules.

The sample was not intended to be, and was not, a statistically valid sample.

RECOMMENDATION

The District should allocate the necessary resources to implement controls and review procedures over capital asset schedules to ensure they are prepared accurately. The District should also consider performing additional reviews of the capital asset schedules prior to the audit.

VIEWS OF RESPONSIBLE OFFICIALS

See Corrective Action Plan.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**YEAR ENDED JUNE 30, 2022**

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

**Finding Number:** FS-2022-002

**Repeat Finding:** Yes, FS-2021-001 and FS-2020-001

**Type of Finding:** Material Weakness

**Description:** Internal Controls Over Accounting Records and Cash Reconciliations

CRITERIA

According to generally accepted accounting principles (GAAP), District management is responsible for establishing and maintaining internal controls over financial reporting, to include controls over the District's accounting records, general ledger transactions, and cash balances. Cash accounts maintained at banks and the County Treasurer should be fully reconciled on a monthly basis to ensure funds on deposit and revenues and expenditures reported in the general ledger are accurate. In addition, all bank accounts should be maintained in accordance with Arizona Revised Statutes and the Uniform System of Financial Records (USFR).

CONDITION

The District's general ledger utilized for financial reporting was incomplete and included recognition errors.

CAUSE

District policies and procedures over cash accounts and the related reconciliation internal controls were not consistently followed throughout the fiscal year.

EFFECT

The District's internal control structure over accounting records and financial reporting were not adequate to ensure that a misstatement would be prevented and/or detected in the general ledger. Audit adjustments were necessary to properly state the District's financial statements.

CONTEXT

During our review of District accounts, we noted the following:

- The District's year end reconciliation of District cash balances to those reported by the County School Superintendent (CSS) Office detected differences of \$1,373 in one fund that were not researched or resolved.
- The District's general ledger included bond debt service overstatements of approximately \$636,000 due to duplicate postings of activity.
- The District's miscellaneous receipts clearing bank account was not fully cleared each month to the County Treasurer; nor was it cleared at year-end to ensure cash and revenues were accurately recorded in the general ledger and in the proper accounting period. The bank account's balance at year end was approximately \$19,600.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2022**

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

**Finding Number:** FS-2022-002

- The District's M&O revolving bank account incurred approximately \$3,300 in expenditures that were not recognized in the District's general ledger.

The sample was not intended to be, and was not, a statistically valid sample.

**RECOMMENDATION**

The District should allocate the necessary resources to ensure cash reconciliations are performed accurately for all cash maintained at the County Treasurer. Debt service payments should be reviewed for accuracy and reconciled to the payments recorded by the CSS's Office and the County Treasurer. Cash balances and related activity maintained in bank accounts should be accounted for timely and recognized in the District's general ledger on a monthly basis.

**VIEWS OF RESPONSIBLE OFFICIALS**

See Corrective Action Plan.



# Continental School District No. 39

## *Governing Board*

Stephen Oesterle, *President*  
Kelley Allen, *Clerk*  
Andrew McGibbon, *Member*  
Ruth Amarillas, *Member*  
Laura LeFever, *Member*

## *Administration*

Roxana Rico-Beaucage, *Superintendent*  
DeAnna Cuevas, *Principal*  
Steven Lathen, *Director of Student Services*

## *Address*

1991 E. White House Canyon Road  
Green Valley, Arizona 85614  
Telephone: 520.625.4581  
Fax: 520.648.2569  
<http://www.continentalesd.org>

Greg Schubert, *Director of Business Services*  
Melinda Suarez, *Director of Special Education*  
Stephen Lane, *Director of Transportation*

March 31, 2023

To Whom It May Concern:

The accompanying Corrective Action Plan has been prepared as required by U.S. Office of Management and Budget Uniform Guidance. The name of the contact person responsible for corrective action, the planned corrective action, and the anticipated completion date for each finding included in the current year's Schedule of Findings and Questioned Costs have been provided.

In addition, we have also prepared the accompanying Summary Schedule of Prior Audit Findings which includes the status of audit findings reported in the prior year's audit.

Sincerely,

Greg Schubert  
Director of Business Services

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**CORRECTIVE ACTION PLAN**  
**YEAR ENDED JUNE 30, 2022**

**Findings Related to Financial Statements Reported in Accordance with *Government Auditing Standards***

Finding Number: FS-2022-001

Contact Person: Greg Schubert, Director of Business Services

Anticipated Completion Date: June 1, 2023

Planned Corrective Action: The District will make sure that any improvements to the buildings, whether it be repairs, replacements or additions to the property, will be included within the capital assets of the District and allocated in their proper places.

Finding Number: FS-2022-002

Contact Person: Greg Schubert, Director of Business Services

Anticipated Completion Date: June 1, 2023

Planned Corrective Action: The District does balance to the County Treasurer on a monthly basis. The District receives a preliminary report after the end of the month and does an initial reconciliation to that report. About two to three months after the month has closed, the District receives a final reconciliation that research and adjustments are made to. Prior to any purchase out of the revolving account, a copy of the purchase order must accompany the request. This way we can ensure that the transaction will be properly recognized within the general ledger.

**CONTINENTAL ELEMENTARY SCHOOL DISTRICT NO. 39**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**YEAR ENDED JUNE 30, 2022**

**Status of Findings Related to Financial Statements Reported in Accordance with  
*Government Auditing Standards***

Finding Numbers: FS-2021-001, FS-2020-001

Status: Partially corrected. See current finding number FS-2022-002.

Planned Corrective Action: The District does balance to the County Treasurer on a monthly basis. The District receives a preliminary report after the end of the month and does an initial reconciliation to that report. About two to three months after the month has closed, the District receives a final reconciliation that research and adjustments are made to. Prior to any purchase out of the revolving account, a copy of the purchase order must accompany the request. This way we can ensure that the transaction will be properly recognized within the general ledger.