

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
VERNON, ARIZONA**

**ANNUAL FINANCIAL REPORT
AND
REPORT ON INTERNAL CONTROL AND COMPLIANCE**

FISCAL YEAR ENDED JUNE 30, 2022

**Issued by:
Business and Finance Department**

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INDEPENDENT AUDITOR'S REPORT

Governing Board of
Vernon Elementary School District No. 9
Vernon, Arizona

Report on the 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 Vernon Elementary School District No. 9, (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the 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 District, 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 the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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



PHONE

480.292.2954



EMAIL

dallas@drscpapllc.com



ADDRESS

4960 S Gilbert Rd | Ste 1-247
Chandler, AZ 85249

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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 7, the budgetary comparison information beginning on page 48, the pension information beginning on page 52, and the related note to required supplementary information beginning on page 56 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2023, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District'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 the District's internal control over financial reporting and compliance.

A handwritten signature in blue ink that reads "DRSCPA, PLLC". The letters are stylized and connected.

*Certified Public Accountant
Chandler, Arizona*

March 28, 2023

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

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**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

As management of the Vernon Elementary School District No. 9 (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. We encourage readers to consider the information presented here in conjunction with the audited financial statements included in this report.

FINANCIAL HIGHLIGHTS

Key financial highlights for fiscal year June 30, 2022, were as follows:

- As of June 30, 2022, the District's total net position was \$3.1 million. This is an increase of \$1,123, or - percent, from fiscal year 2020-21.
- General revenues of \$2.1 million accounted for 76.8 percent of all fiscal year 2021-22 revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions of \$625,787 accounted for 23.2 percent of total fiscal year 2021-22 revenues.
- The District had \$2.7 million in expenses related to governmental activities; of which \$625,787 of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues of \$2.1 million provided the resources for the remaining \$2.1 million of District costs. The excess between the general revenues and remaining District costs resulted in net position increasing \$1,123.
- The General Fund reported \$1.9 million in revenues and \$1.8 million in expenditures. The revenues consisted primarily of \$1.0 million in property taxes and \$704,435 in state aid and grants. As a result of annual activity, the General Fund's fund balance increased \$91,441.
- The District paid \$308,483 in tuition to other districts for students in grades 9-12 that live within the District's boundaries.
- The District's net capital assets decreased \$85,581 as a result of activity throughout the year. For additional information regarding the capital assets, see financial statement note 4.

OVERVIEW OF FINANCIAL STATEMENTS

The District's basic financial statements are comprised of the government-wide financial statements, the fund financial statements and the notes to the financial statements. These sections provide a comprehensive overview of the District's finances.

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.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

The *Statement of Net Position* presents information on all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them 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 of the District include the Governmental activities. Most of the District's basic services are included here, such as instruction, extra-curricular activities, curriculum and staff development, and general administration. Property taxes, intergovernmental revenues and grants finance most of these activities.

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 can be presented within governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of expendable resources, as well as on balances of expendable 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. 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 all major funds. Data from the other non-major governmental funds are combined into a single, aggregated presentation.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

OVERVIEW OF FINANCIAL STATEMENTS

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

Required supplementary 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. The District adopts an annual expenditure budget for all governmental funds. A budgetary comparison schedule is provided for the General Fund and any major special revenue funds. Additionally, pension schedules detailing the District's proportionate share of net pension liability and pension contributions are presented as required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	As of <u>June 30, 2022</u>	As of <u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
ASSETS				
Current assets	\$ 1,506,671	\$ 1,326,786	\$ 179,885	13.6 %
Capital assets	2,968,796	3,054,377	(85,581)	(2.8)%
Total assets	<u>4,475,467</u>	<u>4,381,163</u>	<u>94,304</u>	<u>2.2 %</u>
DEFERRED OUTFLOWS OF RESOURCES				
	<u>433,046</u>	<u>328,932</u>	<u>104,114</u>	<u>31.7 %</u>
LIABILITIES				
Current liabilities	46,619	29,280	17,339	59.2 %
Noncurrent liabilities	1,335,239	1,551,191	(215,952)	(13.9)%
Total liabilities	<u>1,381,858</u>	<u>1,580,471</u>	<u>(198,613)</u>	<u>(12.6)%</u>
DEFERRED INFLOWS OF RESOURCES				
	<u>395,908</u>	<u>-</u>	<u>395,908</u>	<u>100.0 %</u>
NET POSITION				
Investment in capital assets	2,968,796	3,054,377	(85,581)	(2.8)%
Restricted	285,394	224,195	61,199	27.3 %
Unrestricted	(123,443)	(148,948)	25,505	17.1 %
Total net position	<u>\$ 3,130,747</u>	<u>\$ 3,129,624</u>	<u>\$ 1,123</u>	<u>- %</u>

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
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 of resources exceeded liabilities and deferred inflows of resources by \$3.1 million as of June 30, 2022. The following represents significant information regarding changes and balances:

- The District's current assets increased \$179,885 primarily due to an increase in property tax revenues.
- The District had \$36,082 of additions to capital assets that were offset by depreciation expense of \$121,663, resulting in an overall net decrease in capital assets of \$85,581.
- Current liabilities increased \$17,339 due to a decrease in expenses during the 60-day encumbrance period after year end as compared to the prior year.
- Noncurrent liabilities decreased \$215,952, deferred outflows of resources increased \$104,114, and deferred inflows of resources increased \$395,908 primarily due to the results of investment activity and participant activity when compared to Arizona State Retirement System's estimates.
- By far, the largest portion of the District's net position, \$3.0 million, reflects its net investment in capital assets. The District uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Additionally, \$285,394 of the District's net position represents resources that are subject to external restrictions. The remaining deficit balance of net position, \$123,443, is considered unrestricted. For additional information regarding net position, see financial statement note 1.P.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table presents a comparison of the changes in net position for the fiscal years ended June 30, 2022 and 2021.

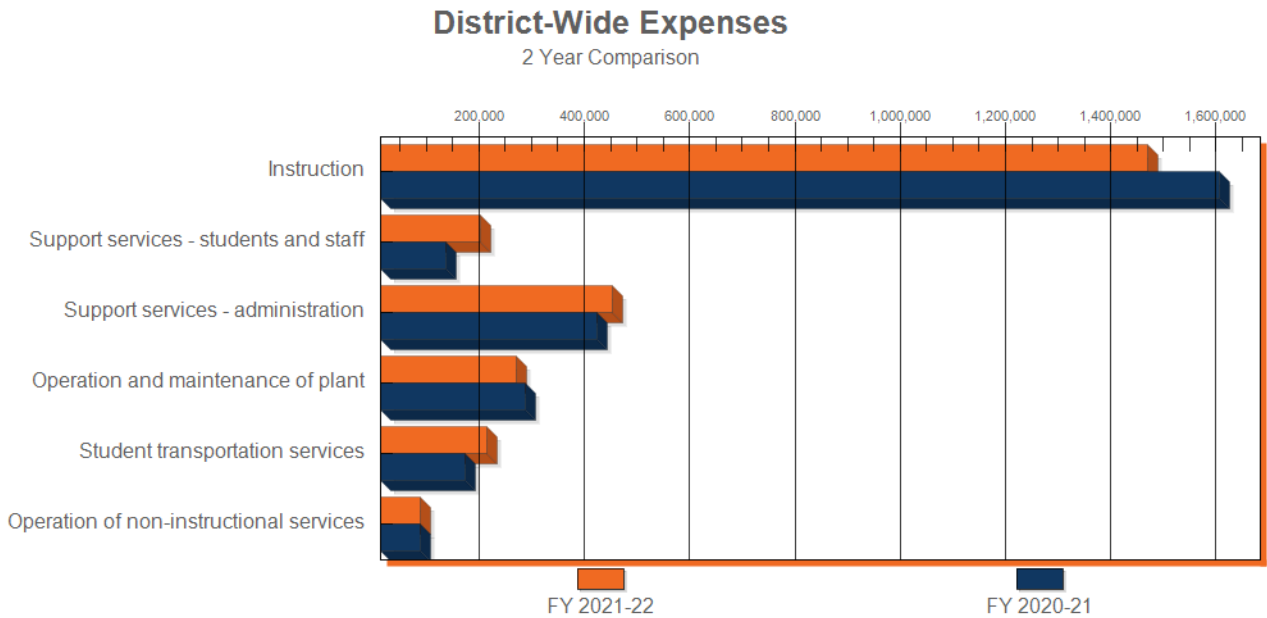
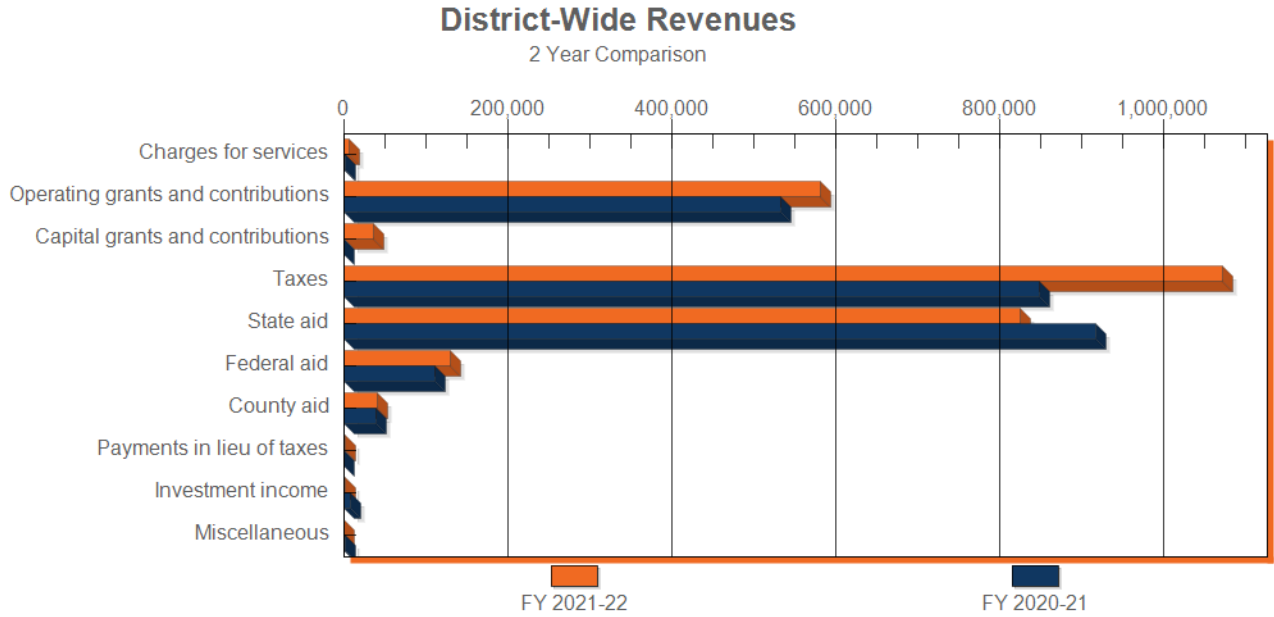
	Fiscal Year Ended <u>June 30, 2022</u>	Fiscal Year Ended <u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
Revenues:				
Program revenues:				
Charges for services	\$ 7,574	\$ 2,494	\$ 5,080	203.7 %
Operating grants and contributions	582,131	533,598	48,533	9.1 %
Capital grants and contributions	36,082	-	36,082	100.0 %
General revenues:				
Taxes	1,071,925	848,553	223,372	26.3 %
State aid	825,665	916,341	(90,676)	(9.9)%
Federal aid	130,662	111,709	18,953	17.0 %
County aid	41,458	39,564	1,894	4.8 %
Payments in lieu of taxes	1,588	-	1,588	100.0 %
Investment income	1,929	8,391	(6,462)	(77.0)%
Miscellaneous	657	2,227	(1,570)	(70.5)%
Total revenues	<u>2,699,671</u>	<u>2,462,877</u>	<u>236,794</u>	<u>9.6 %</u>
Expenses:				
Instruction	1,468,846	1,606,761	(137,915)	(8.6)%
Support services - students and staff	201,881	138,105	63,776	46.2 %
Support services - administration	453,921	423,630	30,291	7.2 %
Operation and maintenance of plant	271,084	288,539	(17,455)	(6.0)%
Student transportation services	214,572	173,869	40,703	23.4 %
Operation of non-instructional services	88,244	87,992	252	0.3 %
Total expenses	<u>2,698,548</u>	<u>2,718,896</u>	<u>(20,348)</u>	<u>(0.7)%</u>
Change in net position	1,123	(256,019)	257,142	100.4 %
Beginning net position	<u>3,129,624</u>	<u>3,385,643</u>	<u>(256,019)</u>	<u>(7.6)%</u>
Ending net position	<u>\$ 3,130,747</u>	<u>\$ 3,129,624</u>	<u>\$ 1,123</u>	<u>- %</u>

Net position increased \$1,123; the following represents significant information regarding changes:

- Revenues increased \$236,794 primarily due to an increase in property taxes and federal aid.
- Expenses decreased \$20,348 due to a slight decrease in expenditures related to COVID-19 funding.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS



**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following table displays information from the *Statement of Activities* governmental activities and compares the net cost of services for the two years ended June 30, 2022 and 2021.

<u>Expense Function</u>	Net (Expense) Revenue <u>June 30, 2022</u>	Net (Expense) Revenue <u>June 30, 2021</u>	<u>Change</u>	Percent <u>Change</u>
Instruction	\$ (1,160,699)	\$ (1,257,408)	\$ 96,709	7.7 %
Support services - students and staff	(54,026)	(77,109)	23,083	29.9 %
Support services - administration	(417,174)	(404,619)	(12,555)	(3.1)%
Operation and maintenance of plant	(250,371)	(267,121)	16,750	6.3 %
Student transportation services	(202,180)	(173,869)	(28,311)	(16.3)%
Operation of non-instructional services	11,689	(2,678)	14,367	536.5 %
Total	<u>\$ (2,072,761)</u>	<u>\$ (2,182,804)</u>	<u>\$ 110,043</u>	<u>5.0 %</u>

The net cost of services decreased \$110,043, or 5.0 percent, due to overall expenses decreasing \$20,348 while program revenues increased \$89,695. The following represents significant information regarding changes and balances:

- Program revenues of \$625,787 subsidized the government-wide expenses.
- The remaining net costs of governmental activities of \$2.1 million were financed through general revenues.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The focus of the District's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable 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.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

The following table provides analysis of the District's major and other governmental funds' fund balances and the total change in fund balances for the two years ended June 30, 2022 and 2021.

<u>Fund</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
General Fund	\$ 1,078,674	\$ 987,233	\$ 91,441	9.3 %
ESEA Title IV—21st Century Schools Fund	-	-	-	-
ESSER Funds	-	-	-	-
Child Care Stabilization Fund	-	-	-	-
Other Governmental Funds	285,394	224,195	61,199	27.3 %
Total	<u>\$ 1,364,068</u>	<u>\$ 1,211,428</u>	<u>\$ 152,640</u>	<u>12.6 %</u>

The total governmental fund balances were \$1.4 million at June 30, 2022. It is not expected that the nature of the restrictions, commitments or other limitations on fund balances will significantly affect future operations. Specifically, overall governmental fund balance increased \$152,640 and the following represents significant information regarding changes:

- The General Fund's fund balance increased \$91,441, or 9.3 percent, primarily due to increased property taxes and state aid. Of the General Fund's fund balance, \$1.1 million is unassigned which may serve as a useful measure of net resources available for spending at June 30, 2022.
- The ESEA Title IV—21st Century Schools Fund, ESSER Funds and Child Care Stabilization Fund Fund's fund balance did not reflect a change due to reimburseable grant revenue being recorded to the extent earned.
- The Other Governmental Funds' fund balance increased \$61,199, or 27.3 percent, primarily due to reduced expenditures in the current fiscal year.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District's budget is prepared annually according to Arizona law. The General Fund Budgetary Comparison Schedule presents the budgeted amounts, as well as the variances between the final budget and the actual expenditures incurred.

The State of Arizona does not require school districts to prepare a revenue budget. The District updates revenue amounts reported based on actual revenues; therefore, there were no variances from the amount budgeted for the final amended budget and actual revenues.

The actual amounts expended in the General Fund were \$1.8 million, which was \$413,814, or 19.0 percent, less than the final budget. This difference was primarily due to temporary employee vacancies resulting in employee compensation being less than anticipated.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

CAPITAL ASSETS

As of June 30, 2022, the District had invested \$3.0 million in capital assets (net of accumulated depreciation) including school buildings, athletic facilities, buses, computers, and other equipment.

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

<u>Governmental activities:</u>	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
Land	\$ 72,928	\$ 72,928	\$ -	- %
Land improvements	190,548	190,548	-	-
Buildings and improvements	3,719,085	3,712,023	7,062	0.2 %
Vehicles, furniture, and equipment	<u>1,133,825</u>	<u>1,104,805</u>	<u>29,020</u>	<u>2.6 %</u>
Total	<u>5,116,386</u>	<u>5,080,304</u>	<u>36,082</u>	<u>0.7 %</u>
Less: accumulated depreciation	<u>(2,147,590)</u>	<u>(2,025,927)</u>	<u>(121,663)</u>	<u>(6.0)%</u>
Capital assets, net	<u>\$ 2,968,796</u>	<u>\$ 3,054,377</u>	<u>\$ (85,581)</u>	<u>(2.8)%</u>

A more in-depth analysis of material activity within capital assets is presented within the analysis of the *Statement of Net Position* earlier in the Management's Discussion and Analysis. Detailed information on the District's capital assets can be found in financial statement note 4.

LONG-TERM LIABILITIES

The following schedule presents a comparison of long-term liabilities for the years ended June 30, 2022, and 2021.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>	<u>Change</u>	<u>Percent Change</u>
Net pension liability	1,249,572	1,471,022	(221,450)	(15.1)%
Compensated absences	<u>85,667</u>	<u>80,169</u>	<u>5,498</u>	<u>6.9 %</u>
Total	<u>\$ 1,335,239</u>	<u>\$ 1,551,191</u>	<u>\$ (215,952)</u>	<u>(13.9)%</u>

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
JUNE 30, 2022**

Overall long-term liabilities balance decreased \$215,952. The following represents significant information regarding changes:

- Net pension liability decreased \$221,450, or 15.1 percent, due to the results of investment activity and participant activity when compared to anticipated results as determined by the Arizona State Retirement System's actuaries.
- Compensated absences increased \$5,498, or 6.9 percent, due to the accrual and use of available leave balances by employees.

For additional information regarding long-term liabilities, see financial statement note 6.

ECONOMIC FACTORS AND NEXT YEAR'S GENERAL FUND BUDGET AND RATES

Amounts available in the General Fund's fiscal year 2022-23 budget are \$2.2 million, an increase of 1.0 percent.

Many factors were considered by the District's administration during the process of developing the General Fund's budget for fiscal year 2022-23, the primary factors considered were:

- An estimation the District's student population will remain consistent for fiscal year 2022-23.
- Expected salaries of \$1.1 million will remain consistent allowing for increases for inflation and expected state funding changes.
- The local economy and inflation of the surrounding area.
- Available budget balance carryforward is \$413,814.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, 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, Vernon Elementary School District No. 9, 90 CRN 3139, Vernon, Arizona 85940.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
STATEMENT OF NET POSITION
JUNE 30, 2022

	<u>Governmental Activities</u>
ASSETS	
Cash and investments	\$ 1,165,046
Refundable deposit	1,509
Property taxes receivable	114,101
Due from other governments	226,015
Capital assets:	
Capital assets not being depreciated/amortized	72,928
Capital assets being depreciated/amortized, net	<u>2,895,868</u>
Total assets	<u><u>4,475,467</u></u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows - pensions	<u>433,046</u>
 LIABILITIES	
Accounts payable	4,984
Advances from grantors	41,635
Due within one year	9,000
Due in more than one year	<u>1,326,239</u>
Total liabilities	<u><u>1,381,858</u></u>
 DEFERRED INFLOWS OF RESOURCES	
Deferred inflows - pensions	<u>395,908</u>
 NET POSITION	
Investment in capital assets	2,968,796
Restricted for:	
Capital outlay	49,111
Food service	14,425
Voter approved initiatives	78,312
Other purposes	143,546
Unrestricted	<u>(123,443)</u>
Total net position	<u><u>\$ 3,130,747</u></u>

The accompanying notes are an integral part of these statements.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Change in Net Position</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 1,468,846	\$ -	\$ 272,065	\$ 36,082	\$ (1,160,699)
Support services - students and staff	201,881	-	147,855	-	(54,026)
Support services - administration	453,921	-	36,747	-	(417,174)
Operation and maintenance of plant	271,084	-	20,713	-	(250,371)
Student transportation services	214,572	-	12,392	-	(202,180)
Operation of non-instructional services	88,244	7,574	92,359	-	11,689
Total governmental activities	<u>\$ 2,698,548</u>	<u>\$ 7,574</u>	<u>\$ 582,131</u>	<u>\$ 36,082</u>	<u>(2,072,761)</u>

General revenues:

Taxes:

Property taxes, general purposes	1,036,016
Property taxes, capital outlay	35,909

State aid:

General purposes	728,054
Capital outlay	97,611

Federal aid 130,662

County aid 41,458

Payments in lieu of taxes 1,588

Investment income 1,929

Miscellaneous 657

Total general revenues 2,073,884

Change in net position 1,123

Net position, July 1, 2021 3,129,624

Net position, June 30, 2022 \$ 3,130,747

The accompanying notes are an integral part of these statements.

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FUND FINANCIAL STATEMENTS

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2022

	General Fund	ESEA Title IV—21st Century Schools Fund	ESSER Funds	Child Care Stabilization Fund
ASSETS				
Cash and investments	\$ 898,946	\$ 3,493	\$ -	\$ 19,057
Refundable deposit	-	-	-	-
Property taxes receivable	110,279	-	-	-
Due from other governments	145,119	8,831	21,980	-
Due from other funds	21,980	-	-	-
Total assets	\$ 1,176,324	\$ 12,324	\$ 21,980	\$ 19,057
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,881	\$ -	\$ -	\$ -
Advances from grantors	-	12,324	-	19,057
Due to other funds	-	-	21,980	-
Total liabilities	4,881	12,324	21,980	19,057
Deferred inflows of resources:				
Unavailable revenue - property tax	92,769	-	-	-
Total liabilities and deferred inflows of resources	97,650	12,324	21,980	19,057
Fund balances:				
Restricted:				
Capital outlay	-	-	-	-
Food service	-	-	-	-
Voter approved initiatives	-	-	-	-
Other purposes	-	-	-	-
Unassigned	1,078,674	-	-	-
Total fund balances	1,078,674	-	-	-
Total liabilities, deferred inflows of resources, and fund balances	\$ 1,176,324	\$ 12,324	\$ 21,980	\$ 19,057

The accompanying notes are an integral part of these statements.

Other Governmental Funds	Total Governmental Funds
\$ 243,550	\$ 1,165,046
1,509	1,509
3,822	114,101
50,085	226,015
-	21,980
\$ 298,966	\$ 1,528,651

\$ 103	\$ 4,984
10,254	41,635
-	21,980
10,357	68,599

3,215	95,984
13,572	164,583

49,111	49,111
14,425	14,425
78,312	78,312
143,546	143,546
-	1,078,674
285,394	1,364,068

\$ 298,966	\$ 1,528,651
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The accompanying notes are an integral part of these statements.

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**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
GOVERNMENT-WIDE STATEMENT OF NET POSITION
JUNE 30, 2022**

Fund balances - total governmental funds	\$ 1,364,068
<p>Amounts reported for governmental activities in the <i>Statement of Net Position</i> are different because:</p>	
<p>Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental fund statements.</p>	2,968,796
<p>Revenues reported in the <i>Statement of Activities</i> that will be collected beyond the 60 day recognition period do not provide current financial resources and are deferred in the governmental fund statements.</p>	
Property taxes	95,984
<p>Deferred outflows and inflows of resources are applicable to future reporting periods and, therefore, are not reported in the governmental fund statements.</p>	
Deferred outflows of resources related to pensions	433,046
Deferred inflows of resources related to pensions	(395,908)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental fund statements.</p>	
Net pension liability	(1,249,572)
Compensated absences	<u>(85,667)</u>
Net position of governmental activities	<u><u>\$ 3,130,747</u></u>

The accompanying notes are an integral part of these statements.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2022

	General Fund	ESEA Title IV—21st Century Schools Fund	ESSER Funds	Child Care Stabilization Fund
Revenues:				
Property taxes	\$ 1,026,442	\$ -	\$ -	\$ -
State aid and grants	704,435	-	-	-
Federal aid and grants	150,258	13,796	291,520	10,961
Other local revenue	44,051	-	-	-
Total revenues	<u>1,925,186</u>	<u>13,796</u>	<u>291,520</u>	<u>10,961</u>
Expenditures:				
Current:				
Instruction	984,571	11,412	113,415	10,961
Support services - students and staff	71,265	2,097	76,494	-
Support services - administration	382,441	-	15,838	-
Operation and maintenance of plant	241,297	-	19,818	-
Student transportation services	170,304	-	11,858	-
Operation of non-instructional services	-	-	9,440	-
Capital outlay	-	-	36,082	-
Total expenditures	<u>1,849,878</u>	<u>13,509</u>	<u>282,945</u>	<u>10,961</u>
Excess of revenues over expenditures	75,308	287	8,575	-
Other financing sources (uses):				
Transfers in	16,133	-	-	-
Transfers out	-	(287)	(8,575)	-
Total other financing sources (uses)	<u>16,133</u>	<u>(287)</u>	<u>(8,575)</u>	<u>-</u>
Net change in fund balances	91,441	-	-	-
Fund balances, July 1, 2021	<u>987,233</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances, June 30, 2022	<u>\$ 1,078,674</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these statements.

<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 35,577	\$ 1,062,019
154,886	859,321
246,284	712,819
11,555	55,606
<u>448,302</u>	<u>2,689,765</u>
220,301	1,340,660
48,634	198,490
34,271	432,550
3,644	264,759
-	182,162
72,982	82,422
-	36,082
<u>379,832</u>	<u>2,537,125</u>
68,470	152,640
-	16,133
<u>(7,271)</u>	<u>(16,133)</u>
<u>(7,271)</u>	<u>-</u>
61,199	152,640
<u>224,195</u>	<u>1,211,428</u>
<u>\$ 285,394</u>	<u>\$ 1,364,068</u>

The accompanying notes are an integral part of these statements.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022**

Net change in fund balances - total governmental funds	\$ 152,640
<p>Amounts reported for the governmental activities in the <i>Statement of Activities</i> are different because:</p>	
<p>Governmental funds report capital outlays as expenditures. However, in the <i>Statement of Activities</i>, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>	
Capital outlay	36,082
Depreciation	(121,663)
<p>Property taxes and other receipts in the <i>Statement of Activities</i> that do not provide current financial resources are not reported as revenues in the governmental funds.</p>	
Prior year unavailable property tax	(86,078)
Current year unavailable property tax	95,984
<p>District pension contributions are reported as expenditures in the governmental funds when made. However, they are reported as deferred outflows of resources in the <i>Statement of Net Position</i> because the reported net pension liability is measured a year before the District's report date. Pension expense, which is the change in the net pension liability adjusted for changes in deferred outflows and inflows of resources related to pensions, is reported in the <i>Statement of Activities</i>.</p>	
Pension contribution	133,917
Pension expense	(204,261)
<p>Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available resources. In the <i>Statement of Activities</i>, however, which is presented on the accrual basis of accounting, expenses are reported regardless of when the financial resources are available.</p>	
Compensated absences	<u>(5,498)</u>
Change in net position of governmental activities	<u>\$ 1,123</u>

The accompanying notes are an integral part of these statements.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Vernon Elementary School District No. 9 (District) has prepared the financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

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

A. Reporting Entity

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

B. Basis of Presentation

The basic financial statements include both government-wide financial statements and fund financial statements. The government-wide financial statements focus on the District as a whole, while the fund financial statements focus on fund reporting. Each presentation provides valuable information that can be analyzed and compared between years and between governments to enhance the usefulness of the information.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-Wide Financial Statements - Provide information about the primary government (the District). The statements include a *Statement of Net Position* and a *Statement of Activities*. These statements report the overall government's financial activities, except for fiduciary activities. They also distinguish between the District's governmental and any business-type activities. Governmental activities generally are financed through taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties. The District does not have any business type activities.

A *Statement of Activities* presents a comparison between direct expenses and program revenues for each function of the District's governmental activities and segments of any business-type activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The District does not allocate indirect expenses to programs or functions. Program revenues include:

- charges to customers for goods, services, or privileges provided
- operating grants and contributions
- capital grants and contributions

Revenues that are not classified as program revenues, including internally dedicated resources and all taxes, are reported as general revenues.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements to minimize the double-counting of internal activities. However, charges for interfund services provided and used are not eliminated if the prices approximate their external exchange values.

Fund Financial Statements - Provide information about the District's funds. Separate statements are presented for the governmental funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as other governmental funds. Because the focus of governmental fund financial statements differs from the focus of government-wide financial statements, a reconciliation is presented with each of the governmental fund financial statements.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District reports the following major governmental funds:

General Fund - to account for all resources used to finance District operations except those required to be accounted for in other funds. The General Fund as presented includes the District's Maintenance and Operation Fund and other special revenue funds that do not have a substantial restriction on expenditures.

ESEA Title IV—21st Century Schools Fund - a special revenue fund to account for the funds to state educational agencies (SEAs) and local educational agencies (LEAs) to improve students' academic achievement by increasing the capacity of states, LEAs, schools, and local communities to: 1) provide all students with access to a well-rounded education; 2) improve school conditions for student learning; and 3) improve the use of technology in order to improve the academic achievement and digital literacy of all students.

ESSER Funds - a special revenue funds to account for federal funds to help school district respond to the COVID-19 pandemic.

Child Care Stabilization Fund - a special revenue fund to account for COVID-19 based funding to support child care providers and caregivers.

C. Basis of Accounting

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 at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants and donations are recognized as revenue as soon as all eligibility requirements the provider imposed have been met.

Under the terms of grant agreements, the District funds certain programs by a combination of grants and general revenues. Therefore, when program expenses are incurred, there are both restricted and unrestricted resources available to finance the program. The District applies grant resources to such programs before using general revenues.

Governmental Fund Financial Statements - Governmental funds in the fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they become both measurable and available. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. Major revenue sources that are susceptible to accrual are property taxes, tuition, intergovernmental grants and aids, and investment earnings. Expenditures are recorded when the related fund liability is incurred, except for claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due and payable. As permitted by generally accepted accounting principles it is the District's policy to apply the "early recognition" option for debt service payments. Therefore, the expenditures and related liabilities have been recognized in the current period. General capital asset acquisitions are reported as expenditures in governmental funds. Issuances of general long-term debt and acquisitions under lease contracts are reported as other financing sources.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

D. Cash and Investments

The District's considers cash on hand, demand deposits, cash and investments held by the County Treasurer, investments in the State Treasurer's local government investment pool, and only those highly liquid investments with a maturity of 3 months or less when purchased to be cash and cash equivalents.

Arizona Revised Statutes 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 in the bond building and debt service funds, which may be invested separately.

Statute authorizes the District to separately invest monies of the bond building and debt service funds in the State Treasurer's investment pool, obligations issued or 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. The District may also invest these monies. 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.

E. Property Taxes

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

A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

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

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

F. Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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.”

G. Capital Assets

Capital assets are reported in the government-wide financial statements. Such assets are recorded at historical cost, or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. The capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts) are \$5,000 for all assets.

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

Land improvements	10 - 100 years
Buildings and improvements	5 - 50 years
Vehicles, furniture, and equipment	5 - 50 years

H. Deferred Outflows and Inflows of Resources

The *Statement of Net Position* and *Balance Sheet* include separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to future periods that will be recognized as an expense or expenditure in future periods. Deferred inflows of resources represent an acquisition of net position or fund balance that applies to future periods and will be recognized as a revenue in future periods. Delinquent property taxes that will not be collected within the 60 day availability period are reported as deferred inflows of resources in the governmental fund financial statements.

I. Postemployment Benefits

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

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

J. Advances from Grantors

Advances from grantors arise when assets are received before revenue recognition criteria have been satisfied. Advances from grantors generally comprise of federal and state entitlement revenues received before eligibility requirements are met.

K. Compensated Absences

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

L. Leases

As lessee, the District recognizes lease liabilities with an initial, individual value of \$5,000 or more. The District uses its estimated incremental borrowing rate to measure lease liabilities unless it can readily determine the interest rate implicit in the lease. The District's estimated incremental borrowing rate is based on low risk borrowing rates and typically uses the federal treasury rate plus one percentage point that is the closest match to the length of the lease contract.

M. Federal Revenue Sources

The District receives federal awards for the enhancement of various educational programs. Federal awards are generally received based on applications submitted to, and approved by, various granting agencies. For federal awards in which a claim to these grant proceeds is based on incurring eligible expenditures, revenue is recognized to the extent that eligible expenditures have been incurred.

N. Investment Income

Investment earnings 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. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances.

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.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P. Net Position

In the government-wide financial statements, net position is reported in three components:

Net investment in capital assets - Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by any outstanding debt used to acquire, construct, or improve these assets.

Restricted - Restricted net position is reported when constraints placed on the net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or by state legislation.

Unrestricted - Unrestricted net position is used to account for the net position balance that does not meet the definition of either of the first two categories of net position.

Q. Fund Balance Classifications

In the fund financial statements, governmental funds report fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable fund balance - Amounts which cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact. This would include items not expected to be converted to cash including inventories and prepaid items.

Restricted fund balance - Amounts with constraints placed on the use of resources that are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or state legislation.

Committed fund balance - Amounts that can only be used for specific purposes pursuant to constraints imposed by the formal action of the Governing Board. These amounts cannot be used for any other purposes unless the Governing Board removes or changes the specific purpose by taking the same kind of formal action previously used to commit these amounts. Adoption of the annual budget does not constitute a commitment as appropriations lapse at year end without Governing Board action. This also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance - Amounts that are constrained by the District's intent to be used for specific purposes, but are neither restricted nor committed. The intent should be expressed by the Governing Board or body or official to which the Governing Board has delegated the authority to assign amounts to be used for specific purposes. Assigned fund balance in governmental funds, other than the General Fund, includes all spendable amounts that are not restricted or committed, if that amount is positive. 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.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Q. Fund Balance Classifications

Unassigned fund balance - Spendable amounts in the General Fund that are not restricted, committed or assigned. The General Fund is the only fund that may report a positive unassigned fund balance amount. For governmental funds other than the General Fund, negative fund balances are reported here if restricted, committed, or assigned amounts exceed total spendable fund balance.

Hierarchy for use of fund balances - When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, the District uses restricted fund balance first. For the disbursement of unrestricted fund balances, the District uses committed amounts first, followed by assigned amounts, and, lastly, unassigned amounts.

Minimum fund balance policy - The District has not adopted a policy regarding maintenance of minimum fund balances.

R. 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.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 2 - CASH AND INVESTMENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's cash deposits may not be returned. The District does not have an adopted policy for custodial credit risk. As of June 30, 2022, the carrying amount (reported) cash and bank balance was \$2,821, which was fully insured by the Federal Deposit Insurance Corporation (FDIC) and the collateral described below. The FDIC protects deposits in each bank the District uses against loss for the first \$250,000 of demand deposits and \$250,000 of time deposits. Any deposits of cash deposits in excess of \$250,000 are covered by collateral held by the pledging financial institution's trust department in the District's name.

Arizona statute requires eligible depositories that accept public monies to participate in the pooled collateral program for public deposits. The Statewide Collateral Pool Administrator (Administrator) is responsible for ensuring that eligible depositories have posted 102% collateral for each public depositor in excess of any federally insured deposits. The purpose of the pooled collateral program is to ensure that governmental entities' public deposits placed in participating depositories are secured against loss. 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.

External Investment Pool. A.R.S. §15-996, authorizes the Apache County Treasurer to receive and hold all District monies and pool the monies with other school districts for investment purposes. As of June 30, 2022, the District reported \$1,162,225 on deposit with the Apache County Treasurer's Investment Pool (ACTIP). The ACTIP is an external investment pool with no regulatory oversight. The ACTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2022, the ACTIP did not receive a credit quality rating from a national rating agency. The Apache County Treasurer invests the cash in a pool under policy guidelines established by the County. The Apache County Treasurer accounts for the investment pool in their Fiduciary Investment Trust Fund. Interest rate risk, credit risk, custodial credit risk and concentration of credit risk regarding the ACTIP are included in the Comprehensive Annual Financial Report of Apache County. The fair value of each participant's position in the ACTIP approximates the value of the participant's shares in the pool and the District's 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.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rate will adversely affect the fair value of an investment. The District does not have an adopted investment policy that limits investment maturities to one year or less as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. Credit risk is the risk that an insurer or other counterparty to an investment in a debt security will not fulfill its obligations. The District has no investment policy that would further limit its investment choices than what is allowable per A.R.S.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 3 - DUE FROM OTHER GOVERNMENTS

Receivable balances have been disaggregated by type and presented separately in the financial statements with the exception of the amounts due from other governments. The District's due from other governments as of June 30, 2022, are as follows:

	General Fund	ESEA Title IV—21st Century Schools Fund	ESSER Funds	Other Governmental Funds	Totals
Due from federal government:					
Federal grants	\$ 145,119	\$ 8,831	\$ 21,980	\$ 50,085	\$ 226,015
Total due from other governments	<u>\$ 145,119</u>	<u>\$ 8,831</u>	<u>\$ 21,980</u>	<u>\$ 50,085</u>	<u>\$ 226,015</u>

NOTE 4 - CAPITAL ASSETS

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

<u>Governmental activities:</u>	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2022</u>
Capital assets not being depreciated:				
Land	\$ 72,928	\$ -	\$ -	\$ 72,928
Total capital assets not being depreciated	<u>72,928</u>	<u>-</u>	<u>-</u>	<u>72,928</u>
Capital assets being depreciated:				
Land improvements	190,548	-	-	190,548
Buildings and improvements	3,712,023	7,062	-	3,719,085
Vehicles, furniture, and equipment	1,104,805	29,020	-	1,133,825
Total capital assets being depreciated	<u>5,007,376</u>	<u>36,082</u>	<u>-</u>	<u>5,043,458</u>
Less accumulated depreciation for:				
Land improvements	(61,560)	(7,624)	-	(69,184)
Buildings and improvements	(1,189,164)	(76,368)	-	(1,265,532)
Vehicles, furniture, and equipment	(775,203)	(37,671)	-	(812,874)
Total accumulated depreciation	<u>(2,025,927)</u>	<u>(121,663)</u>	<u>-</u>	<u>(2,147,590)</u>
Total capital assets being depreciated, net	<u>2,981,449</u>	<u>(85,581)</u>	<u>-</u>	<u>2,895,868</u>
Total capital assets, net	<u>\$ 3,054,377</u>	<u>\$ (85,581)</u>	<u>\$ -</u>	<u>\$ 2,968,796</u>

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 4 - CAPITAL ASSETS

Depreciation was charged to governmental functions as follows:

Instruction	\$ 80,398
Support services - students and staff	2,269
Support services - administration	3,866
Operation and maintenance of plant	3,604
Student transportation services	27,942
Operations of non-instructional services	<u>3,584</u>
Total depreciation expense	<u>\$ 121,663</u>

NOTE 5 - INTERFUND RECEIVABLES AND PAYABLES

The following is a summary of interfund receivables and payables reported as of June 30, 2022:

Funds	Interfund	
	Due From	Due To
General Fund	\$ 21,980	\$ -
ESSER Funds	<u>-</u>	<u>21,980</u>
Total	<u>\$ 21,980</u>	<u>\$ 21,980</u>

These interfund amounts primarily represent loans to cover temporary cash deficits in pooled accounts due to delayed revenues and grant expenditures that were incurred prior to reimbursements from outside parties. These amounts are expected to be repaid within one year.

NOTE 6 - LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities of the District for the year ended June 30, 2022:

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2022</u>	<u>Due Within</u> <u>One Year</u>
Net pension liability	1,471,022	502,541	(723,991)	1,249,572	-
Compensated absences	<u>80,169</u>	<u>49,027</u>	<u>(43,529)</u>	<u>85,667</u>	<u>9,000</u>
Total	<u>\$ 1,551,191</u>	<u>\$ 551,568</u>	<u>\$ (767,520)</u>	<u>\$ 1,335,239</u>	<u>\$ 9,000</u>

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022**

NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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. The 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 its website at www.azasrs.gov.

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

Retirement initial membership date:

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

*With actuarially reduced benefits.

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

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

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Contributions - In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2022, statute required active ASRS members to contribute at the actuarially determined rate of 12.41 percent (12.22 percent for retirement and 0.19 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.41 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. In addition, the District is required by statute to contribute at the actuarially determined rate of 10.22 percent (10.13 percent for retirement and 0.09 percent for long-term disability) of annual covered payroll of retired members who may have worked for the District in positions an employee who contributes to the ASRS would typically fill. The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2022, and for the two preceding years, all of which were equal to the required contributions, were as follows:

<u>Year ended June 30</u>	<u>Retirement Fund</u>	<u>Health Insurance Premium Benefit</u>	<u>Long-Term Disability Fund</u>	<u>Total Contributions</u>
2022	\$ 133,917	\$ 2,273	\$ 2,079	\$ 138,269
2021	125,360	4,020	1,732	131,112
2020	105,864	4,350	1,525	111,739

During fiscal year ending June 30, 2022, the District paid for pension and OPEB contributions as follows:

<u>Fund:</u>	<u>Pension and OPEB Contribution</u>	<u>Percentage by Fund</u>
General Fund	\$ 106,848	77.28 %
ESEA Title IV—21st Century Schools Fund	590	0.43 %
ESSER Funds	7,846	5.67 %
Child Care Stabilization Fund	854	0.62 %
Other Governmental Funds	22,131	16.01 %
Total	<u>\$ 138,269</u>	<u>100.01 %</u>

The District's OPEB balance and related activity for the fiscal year ending June 30, 2022, was immaterial, therefore, related disclosures have been omitted.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

Liability - At June 30, 2022, the District reported a pension liability of \$1.2 million for its proportionate share of the ASRS' net pension liability.

The net 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 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.

The District's proportion of the net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021, and the change from its proportions measured as of June 30, 2020, were:

	<u>Proportion</u> <u>June 30, 2021</u>	<u>Increase</u> <u>(Decrease)</u> <u>From</u> <u>June 30, 2020</u>
Pension	0.0095 %	0.0010 %

Expense - For the year ended June 30, 2022, the District recognized \$204,261 of pension expense.

Deferred outflows/inflows of resources - At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to the pension from the following sources:

Pension -

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 19,049	\$ -
Changes in assumptions or other inputs	162,642	-
Net difference between projected and actual earnings on pension plan investments	-	395,908
Changes in proportion and differences between District contributions and proportionate share of contributions	117,438	-
District contributions subsequent to the measurement date	<u>133,917</u>	<u>-</u>
Total	<u>\$ 433,046</u>	<u>\$ 395,908</u>

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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

Year ending June 30	Deferred Outflows (Inflows)
2023	\$ 73,446
2024	53,485
2025	(87,277)
2026	(136,433)
2027	-
Thereafter	-
Total	\$ (96,779)

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%
Projected salary increase	2.9 - 8.4%
Inflation	2.3%
Permanent benefit increase	Included
Mortality rates	2017 SRA Scale U-MP
Healthcare cost trend rate	Not applicable

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

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 7 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS

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 plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Geometric Real Rate of Return</u>
Equity	50.00 %	4.90 %
Fixed income - credit	20.00 %	5.20 %
Fixed income - Interest rate sensitive	10.00 %	0.70 %
Real estate	20.00 %	5.70 %
Total	<u>100.00 %</u>	

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

Sensitivity of the District's proportionate share of the ASRS net pension liability to changes in the discount rate - The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate:

	1% Decrease <u>(6.5%)</u>	Current Discount Rate <u>(7.5%)</u>	1% Increase <u>(8.5%)</u>
District's proportionate share of the: Net pension liability	\$ 1,965,472	\$ 1,249,572	\$ 652,709

Plan fiduciary net position - Detailed information about the plan's fiduciary net position is available in the separately issued ASRS financial report.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 8 - INTERFUND TRANSFERS

The following is a summary of interfund transfers reported as of June 30, 2022:

Funds	Interfund	
	Transfers In	Transfers Out
General Fund	\$ 16,133	\$ -
ESEA Title IV—21st Century Schools Fund	-	287
ESSER Funds	-	8,575
Other Governmental Funds	-	7,271
Total	\$ 16,133	\$ 16,133

The transfers were made to move indirect costs from federal grant funds to the Indirect Costs Fund, which is grouped within the General Fund.

NOTE 9 - RISK MANAGEMENT

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

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

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

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2022

NOTE 10 - COMMITMENTS AND CONTINGENCIES

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

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

REQUIRED SUPPLEMENTARY INFORMATION

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Property taxes	\$ 1,249,178	\$ 1,257,046	\$ 1,026,442	\$ (230,604)
State aid and grants	857,296	862,696	704,435	(158,261)
Other local revenue	<u>53,281</u>	<u>53,617</u>	<u>43,781</u>	<u>(9,836)</u>
Total revenues	<u>2,159,755</u>	<u>2,173,359</u>	<u>1,774,658</u>	<u>(398,701)</u>
Expenditures:				
Regular education:				
Instruction	1,011,389	1,062,043	868,091	193,952
Support services - students and staff	60,921	33,338	19,798	13,540
Support services - administration	426,513	419,695	365,961	53,734
Operation and maintenance of plant	277,304	283,450	224,799	58,651
Operation of non-instructional services	6,584	6,584	-	6,584
School-sponsored cocurricular activities	3,365	2,145	-	2,145
School-sponsored athletics	<u>6,611</u>	<u>6,470</u>	<u>3,060</u>	<u>3,410</u>
Total regular education	<u>1,792,687</u>	<u>1,813,725</u>	<u>1,481,709</u>	<u>332,016</u>
Special education:				
Instruction	90,305	101,220	64,227	36,993
Support services - students and staff	<u>56,065</u>	<u>46,525</u>	<u>43,518</u>	<u>3,007</u>
Total special education	<u>146,370</u>	<u>147,745</u>	<u>107,745</u>	<u>40,000</u>
Student transportation services:				
Student transportation services	213,457	204,168	170,091	34,077
K-3 reading program:				
Instruction	<u>7,242</u>	<u>7,721</u>	<u>-</u>	<u>7,721</u>
Total expenditures	<u>2,159,756</u>	<u>2,173,359</u>	<u>1,759,545</u>	<u>413,814</u>
Net changes in fund balances	(1)	-	15,113	15,113
Fund balance, July 1, 2021	<u>278,052</u>	<u>278,052</u>	<u>278,052</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ 278,051</u>	<u>\$ 278,052</u>	<u>\$ 293,165</u>	<u>\$ 15,113</u>

See note accompanying this schedule.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
BUDGETARY COMPARISON SCHEDULE - ESEA TITLE IV—21ST CENTURY SCHOOLS FUND
YEAR ENDED JUNE 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Federal aid and grants	27,526	16,495	13,796	(2,699)
Total revenues	<u>27,526</u>	<u>16,495</u>	<u>13,796</u>	<u>(2,699)</u>
Expenditures:				
Instruction	23,253	13,934	11,412	2,522
Support services - students and staff	4,273	2,561	2,097	464
Total expenditures	<u>27,526</u>	<u>16,495</u>	<u>13,509</u>	<u>2,986</u>
Excess of revenues over expenditures	-	-	287	287
Other financing uses:				
Transfers out	-	-	(287)	(287)
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See note accompanying this schedule.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
BUDGETARY COMPARISON SCHEDULE - ESSER FUNDS
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		Actual Amounts	Variance
	<u>Adopted</u>	<u>Final</u>		
Revenues:				
Federal aid and grants	1,111,457	1,567,418	291,520	(1,275,898)
Total revenues	<u>1,111,457</u>	<u>1,567,418</u>	<u>291,520</u>	<u>(1,275,898)</u>
Expenditures:				
Current:				
Instruction	445,514	628,280	113,415	514,865
Support services - students and staff	300,482	423,751	76,494	347,257
Support services - administration	62,214	87,737	15,838	71,899
Operation and maintenance of plant	77,849	109,785	19,818	89,967
Student transportation services	46,580	65,689	11,858	53,831
Operation of non-instructional services	37,082	52,294	9,440	42,854
Capital outlay	141,736	199,882	36,082	163,800
Total expenditures	<u>1,111,457</u>	<u>1,567,418</u>	<u>282,945</u>	<u>1,284,473</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>8,575</u>	<u>8,575</u>
Other financing uses:				
Transfers out	-	-	(8,575)	(8,575)
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See note accompanying this schedule.

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
BUDGETARY COMPARISON SCHEDULE - CHILD CARE STABILIZATION FUND
YEAR ENDED JUNE 30, 2022**

	<u>Budgeted Amounts</u>		
	<u>Adopted and Final</u>	<u>Actual Amounts</u>	<u>Variance</u>
Revenues:			
Federal aid and grants	15,000	10,961	(4,039)
Total revenues	<u>15,000</u>	<u>10,961</u>	<u>(4,039)</u>
Expenditures:			
Instruction	15,000	10,961	4,039
Total expenditures	<u>15,000</u>	<u>10,961</u>	<u>4,039</u>
Net change in fund balances	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, July 1, 2021	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, June 30, 2022	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See note accompanying this schedule.

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2022

ASRS - Pension	Reporting Fiscal Year (Measurement Date)			
	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)
District's proportion of the net pension liability	0.01 %	0.01 %	- %	0.01 %
District's proportionate share of the net pension liability	\$ 1,249,572	\$ 1,471,022	\$ 1,191,740	\$ 1,085,036
District's covered payroll	\$ 1,055,470	\$ 923,643	\$ 835,140	\$ 748,886
District's proportionate share of the net pension liability as a percentage of its covered payroll	118.39 %	159.26 %	142.70 %	144.89 %
Plan fiduciary net position as a percentage of the total pension liability	48.58 %	69.33 %	73.24 %	73.40 %

Reporting Fiscal Year (Measurement Date)				
2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)	2014 through 2013
0.01 %	0.01 %	0.01 %	0.01 %	Information is not available; additional information will be presented as it becomes available.
\$ 1,148,102	\$ 1,449,462	\$ 1,436,824	\$ 1,256,980	
\$ 690,729	\$ 888,435	\$ 930,444	\$ 866,652	
166.22 %	163.15 %	154.42 %	145.04 %	
69.92 %	67.06 %	68.35 %	69.49 %	

**VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
JUNE 30, 2022**

ASRS - Pension	Reporting Fiscal Year			
	2022	2021	2020	2019
Statutorily required contribution	\$ 133,917	\$ 125,360	\$ 105,864	\$ 97,533
District's contributions in relation to the statutorily required contribution	<u>133,917</u>	<u>125,360</u>	<u>105,864</u>	<u>97,533</u>
District's contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	\$ 1,095,051	\$ 1,055,470	\$ 923,643	\$ 835,140
District's contributions as a percentage of covered payroll	12.23 %	11.88 %	11.46 %	11.68 %

Reporting Fiscal Year

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 84,488	\$ 80,927	\$ 90,352	\$ 94,345	\$ 82,407	Information is not available; additional information will be presented as it becomes available.
<u>84,488</u>	<u>80,927</u>	<u>90,352</u>	<u>94,345</u>	<u>82,407</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 748,886	\$ 690,729	\$ 888,435	\$ 930,444	\$ 866,652	
11.28 %	11.72 %	10.17 %	10.14 %	9.51 %	

VERNON ELEMENTARY SCHOOL DISTRICT NO. 9
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2022

NOTE 1 - BUDGETARY COMPLIANCE AND ACCOUNTABILITY

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

- A. The General Fund, as reported in the budgetary comparison schedule, includes the District's Maintenance and Operation Fund (M&O) in addition to several other District funds consistent with accounting principles generally accepted in the United States of America. In accordance with Arizona Revised Statutes, the District is required to budget expenditures at the individual fund level.

The following schedule presents financial statement details of the District's M&O Fund, the main budgetary fund for the District per Arizona Revised Statutes, separately for analysis.

	General Fund				
	Revenues	Expenditures	Other Financing Sources	Beginning Fund Balance	Ending Fund Balance
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds - General Fund	\$ 1,925,186	\$ 1,849,878	\$ 16,133	\$ 987,233	\$ 1,078,674
Less: budgeted special revenue funds reported within the General Fund	150,528	90,333	16,133	709,181	785,509
Maintenance and Operation - GAAP	<u>\$ 1,774,658</u>	<u>\$ 1,759,545</u>	<u>\$ -</u>	<u>\$ 278,052</u>	<u>\$ 293,165</u>

**REPORT ON INTERNAL CONTROL
AND ON COMPLIANCE**

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

Governing Board of
Vernon Elementary School District No. 9

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 Vernon Elementary School District No. 9 (the District) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 28, 2023.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

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

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



PHONE

480.292.2954



EMAIL

dallas@drscpapllc.com



ADDRESS

4960 S Gilbert Rd | Ste 1-247
Chandler, AZ 85249

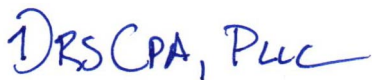
Compliance and Other Matters

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

We noted certain other matters that we reported to management of the District in a separate document entitled Uniform System of Financial Records (USFR) Compliance Questionnaire dated March 28, 2023.

Purpose of this Report

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

A handwritten signature in blue ink that reads "DRSCPA, PLLC". The letters are stylized and cursive.

*Certified Public Accountant
Chandler, Arizona*

March 28, 2023