
YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52

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

YEAR ENDED JUNE 30, 2023



YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52

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FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Yarnell Elementary School District No. 52
Peeples Valley, 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 Yarnell Elementary School District No. 52 (District), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Yarnell Elementary School District No. 52, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2024, 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 result 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.

CWDL, Certified Public Accountants

Mesa, Arizona
March 29, 2024

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

As management of the Paloma Elementary School District No. 94 (District), we offer the 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, 2023.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1.8 million (net position). The District's total net position decreased by \$0.1 million (-5%).
- General revenues accounted for \$0.9 million in revenue, or 65% of all fiscal year 2023 revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$0.4 million or 35% of total fiscal year 2023 revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$0.2 million, a decrease of \$67,139 in comparison with the prior year.
- At the end of the current fiscal year, the unassigned fund balance for the General Fund was \$0.1 million, or 10% of total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business.

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

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

The government-wide financial statements distinguish functions of the District that are principally supported by property taxes and intergovernmental revenues (governmental activities). The governmental activities of the District are for public education.

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

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the District are considered governmental funds.

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

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

The District maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Special Projects Fund, and Other Special Revenue Fund, the three of which major funds. Data from the other four governmental funds are combined into a single aggregated presentation.

An operating budget for expenditures is prepared and adopted by the District each fiscal year for the General and Special Projects Funds. Budgetary control is ultimately exercised at the fund level. Budgetary control is maintained through the use of periodic reports that compare actual expenditures against budgeted amounts. The expenditure budget can be revised annually, per Arizona Revised Statutes. The District also maintains an encumbrance accounting system as one technique of maintaining budgetary control. Encumbered amounts lapse at year-end. An annual budget of revenue from all sources is not prepared.

As demonstrated by the statements and schedules included in the financial section of this report, the District continues to meet its responsibility for sound financial management.

The basic governmental fund financial statements can be found on pages 13 – 16 of this report.

Notes to Basic Financial Statements

The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found on pages 17 – 33 of this report.

Required Supplementary Information Other than MD&A

The District reports a multi-year schedule of the District's proportionate share of net pension liability and contributions to its cost-sharing pension plan on page 34.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

Governments have the option of presenting the General Fund and major special revenue budgetary statements as part of the basic financial statements or as required supplementary information (RSI) other than the MD&A. The District has elected to present the General Fund, Special Projects Fund, and Other Special Revenue Fund budgetary comparison schedules as RSI other than the MD&A which can be found starting on page 35 of this report. Notes to the RSI are presented after the budgetary comparison schedules on page 38.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1.8 million at the close of the most recent fiscal year.

A summary of the District's statement of net position is presented below:

	Governmental Activities		
	2023	2022	Net Change
ASSETS			
Current and other assets	\$ 289,115	\$ 298,054	\$ (8,939)
Capital assets	2,064,100	2,066,156	(2,056)
Total Assets	2,353,215	2,364,210	(10,995)
DEFERRED OUTFLOWS OF RESOURCES	180,005	146,298	(21,990)
LIABILITIES			
Current liabilities	44,406	7,309	37,097
Long-term liabilities	695,720	475,652	220,068
Total Liabilities	740,126	482,961	257,165
DEFERRED INFLOWS OF RESOURCES	34,103	450,974	514,330
NET POSITION			
Investment in capital assets	2,064,100	2,066,156	(2,056)
Restricted	111,720	173,387	(61,667)
Unrestricted	(416,829)	(378,244)	(38,585)
Total Net Position	\$ 1,758,991	\$ 1,861,299	\$ (102,308)

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

By far the largest portion of the District's net position reflects its investment in capital assets (e.g., land, land improvements, buildings, building improvement, vehicles, furniture, and equipment), less any related debt used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are not available for future spending. Although the District's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in its investment in capital assets and restricted net position. The District reported a negative balance in unrestricted net position due to the District's reporting of its proportionate share of the net pension liability for its cost-sharing pension plan required under Governmental Accounting Standards Board (GASB) Statement No. 68. Additional information on the District's net pension liability can be found in Note 10 of this report.

Overall, net position decreased \$0.2 million or 5%. Key elements of this increase are indicated as follows:

	Governmental Activities		
	2023	2022	Net Change
REVENUES			
Program revenues			
Charges for services	\$ 6,852	\$ 8,676	\$ (1,824)
Operating grants and contributions	386,753	399,041	(12,288)
Capital grants and contributions	103,596	24,205	79,391
General revenues			
Property taxes	613,293	591,153	22,140
State equalization and additional state aid	281,337	220,325	61,012
County equalization	705	46,038	(45,333)
Interest and other	19,289	1,010	18,279
Total Revenues	1,411,825	1,290,448	121,377
EXPENSES			
Instruction	588,872	531,382	57,490
Support Services:			
Students and instructional staff	231,065	228,487	2,578
General and school administration	262,556	222,404	40,152
Business and other support services	84,764	69,007	15,757
Operation and maintenance of plant	185,309	189,427	(4,118)
Student transportation	83,233	48,958	34,275
Operation of noninstructional services	78,334	60,500	17,834
Total Expenses	1,514,133	1,350,165	163,968
Change in net position	(102,308)	(59,717)	(42,591)
Net Position - Beginning	1,861,299	1,921,016	(59,717)
Net Position - Ending	\$ 1,758,991	\$ 1,861,299	\$ (102,308)

**YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Program Revenues

The District reported a decrease in charges for services of \$1,824. This decrease was not considered significant.

Operating grants and contributions decreased \$12,288 (-3%). This decrease was due to a decrease in state and federal grants from ADE and other federal governmental agencies.

Capital grants and contributions increased \$79,391 due to increases in state funding from the ADOA's School Facilities Division related to improving school facilities.

General Revenues

Property tax revenue remained consistent and only increased 4%. This change was not considered significant.

State and county equalization and additional state aid increased \$15,679 (6%) due to changes in the state's budget formula.

The increase in interest and other income was due to increases in interest rates and proceeds from the sale of assets.

Expenses

The District incurred a 12% increase in expenses in the current year. The District's mission is to provide an appropriate and outstanding educational experience for every student served within budget constraints. The increase was mainly due to increases in salaries and related wages, repairs and maintenance, transportation, and furniture and equipment.

FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$0.2 million, a decrease of \$67,139 in comparison with the prior year. Approximately 11% of this total amount (\$115,301) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is restricted to indicate that it is not available for new spending.

**YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

Fund balances as of June 30, 2023, and the changes in fund balances from prior year are summarized as follows:

	Balance	Increase (Decrease) From 2021-22
GOVERNMENTAL FUND		
General Fund	\$ 115,301	\$ (82,832)
Special Projects Fund	11,922	10,068
Other Special Revenue Fund	47,137	4,480
Nonmajor Governmental Funds	28,886	1,145
	<u>\$ 203,246</u>	<u>\$ (67,139)</u>

The General Fund experienced a negative net change in fund balance. For the fiscal year ended June 30, 2023, the General Fund had a decrease in fund balance of \$82,832. This decrease was primarily due to the increases in operating costs and consistent revenue sources with the prior year.

The increase in the Special Projects Fund was due to current year’s state and federal grant funding that will be used for subsequent year expenditures.

The changes in the Other Special Revenue Fund and Nonmajor Governmental Funds were not considered significant.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$0.3 million. In Arizona, school districts build their original “adopted” budget based on a projection of the coming fiscal year’s 100th day average daily attendance. In May, the District can increase or decrease its budget for differences between expected and actual student growth. The current year increase was primarily allocated to regular education – instruction, and support services – general administration. Budgetary basis General Fund expenditures were \$0.4 million less than budget during the fiscal year. Budgetary basis expenditures were 28% under budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2023, amounts to \$2.1 million (net of accumulated depreciation). This investment in capital assets includes land, land improvements, buildings and building improvements, furniture, equipment, and vehicles. The net decrease in the District’s investment in capital assets for the current fiscal year was less than 1%. This decrease was mainly due to current year depreciation expense exceeding current year capital acquisitions.

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

- Roof replacement

**YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023**

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

	Governmental Activities		
	2023	2022	Net Change
CAPITAL ASSETS			
Land	\$ 335,635	\$ 335,635	\$ -
Land improvements	6,169	6,644	(475)
Buildings & improvements	1,653,361	1,614,408	38,953
Vehicles, equipment, and furniture	68,935	109,469	(40,534)
Total Capital Assets	\$ 2,064,100	\$ 2,066,156	\$ (2,056)

Debt Administration

The District did not have any outstanding bonds or other long-term debt other than the net pension liability and related OPEB liability on the District's cost-sharing pension plan (Arizona Statement Retirement System). Further information on the District's long-term debt can be found on Note 7 and pension/OPEB liabilities and assets can be found on Note 10.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Changes to the budget based on student population.
- Rising inflationary factors and increases operating costs.
- Completion of spending ESSER funding.

The above factors were considered in preparing the District's budget for the 2023-24 fiscal year.

REQUEST FOR INFORMATION

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, Yarnell Elementary School District No. 52, 18912 Hays Ranch Road, Peeples Valley, Arizona 86332. The District website is also available at www.modelcreekschool.org.

BASIC FINANCIAL STATEMENTS

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
STATEMENT OF NET POSITION
JUNE 30, 2023

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 203,634
Property taxes receivable	22,196
Intergovernmental receivable	36,494
Deposits	3,016
Net OPEB asset	23,775
Capital assets, not depreciated	335,635
Capital assets, net of accumulated depreciation	1,728,465
Total Assets	2,353,215
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	177,417
Deferred outflows related to OPEB	2,588
Total Deferred Outflows of Resources	180,005
LIABILITIES	
Accounts payable	38,167
Advances from grantors	6,239
Long-term liabilities:	
Due in more than one year	695,720
Total Liabilities	740,126
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	18,316
Deferred inflows related to OPEB	15,787
Total Deferred Inflows of Resources	34,103
NET POSITION	
Investment in capital assets	2,064,100
Restricted:	
Net OPEB asset	23,775
Teacher compensation and other qualified programs (A.R.S 15-977)	5,478
Instructional improvement programs	10,145
Federal and state instructional programs	11,922
Food service	11,763
Community programs	5,671
Extracurricular activities	41,466
Capital projects	1,500
Unrestricted	(416,829)
Total Net Position	\$ 1,758,991

See accompanying Notes to the Basic Financial Statements

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023

Function/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
					Governmental Activities
Primary Government:					
Governmental Activities:					
Instruction	\$ 588,872	\$ -	\$ 213,209	\$ -	\$ (375,663)
Support services:					
Students	216,431	-	95,899	-	(120,532)
Instructional staff	14,634	-	1,558	-	(13,076)
General administration	262,253	-	46,443	-	(215,810)
School administration	303	-	6	-	(297)
Business and other support services	84,764	-	226	-	(84,538)
Operation and maintenance of plant	185,309	-	4,551	103,596	(77,162)
Student transportation	83,233	-	21,918	-	(61,315)
Operation of noninstructional services	78,334	6,852	2,943	-	(68,539)
Total	\$ 1,514,133	\$ 6,852	\$ 386,753	\$ 103,596	(1,016,932)
General revenues:					
Property taxes					613,293
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					281,337
County equalization					705
Investment earnings					6,380
Other					12,909
Total general revenues					914,624
Change in net position					(102,308)
Net position - beginning					1,861,299
Net position - ending					\$ 1,758,991

See accompanying Notes to Basic Financial Statements

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2023

	General Fund	Special Projects Fund	Other Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 125,248	\$ -	\$ 47,201	\$ 31,185	\$ 203,634
Receivables					
Property taxes	22,196	-	-	-	22,196
Intergovernmental	-	34,252	-	2,242	36,494
Due from other funds	19,346	-	-	-	19,346
Deposits	-	-	-	3,016	3,016
Total Assets	\$ 166,790	\$ 34,252	\$ 47,201	\$ 36,443	\$ 284,686
LIABILITIES					
Accounts payable	\$ 33,801	\$ 2,984	\$ 64	\$ 1,318	\$ 38,167
Due to other funds	-	19,346	-	-	19,346
Advances from grantors	-	-	-	6,239	6,239
Total Liabilities	33,801	22,330	64	7,557	63,752
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	17,688	-	-	-	17,688
FUND BALANCES					
Restricted	-	11,922	47,137	28,886	87,945
Unassigned	115,301	-	-	-	115,301
Total Fund Balances	115,301	11,922	47,137	28,886	203,246

See accompanying Notes to Basic Financial Statements

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2023

Total Fund Balance - Governmental Funds \$ 203,246

Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:

Capital assets:

In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:

Capital assets	\$ 3,536,216	
Accumulated depreciation	<u>(1,472,116)</u>	2,064,100

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds:	17,688
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Net OPEB asset:

In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, they are recognized in the period they are incurred. The net OPEB asset at the end of the period was:

23,775

Long-term liabilities:

In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:

Net pension liability	(695,327)	
Net OPEB liability	(393)	(695,720)

Deferred outflows and inflows of resources relating to pensions/OPEB:

In governmental funds, deferred outflows and inflows of resources relating to pensions/OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions/OPEB are reported:

Deferred outflows of resources relating to pensions:	177,417	
Deferred inflows of resources relating to pensions:	(18,316)	
Deferred outflows of resources relating to OPEB:	2,588	
Deferred inflows of resources relating to OPEB:	<u>(15,787)</u>	145,902

Total Net Position - Governmental Activities \$ 1,758,991

**YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2023**

	General Fund	Special Projects Fund	Other Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
Property taxes	\$ 615,965	\$ -	\$ -	\$ -	\$ 615,965
Intergovernmental	287,100	259,598	-	175,237	721,935
Extracurricular activities	-	-	5,647	-	5,647
Food services sales	-	-	-	1,055	1,055
Contributions and donations	50,406	-	50	-	50,456
Investment earnings	4,194	470	1,030	688	6,382
Other	12,934	-	119	6	13,059
Total Revenues	970,599	260,068	6,846	176,986	1,414,499
EXPENDITURES					
Current					
Instruction	445,931	87,011	230	32,415	565,587
Support services:					
Students	123,102	92,184	157	-	215,443
Instructional staff	8,358	-	-	216	8,574
General administration	207,690	44,640	258	-	252,588
School administration	20	-	283	-	303
Business and other support services	82,580	200	67	631	83,478
Operations and maintenance of plant	110,662	4,342	372	958	116,334
Student transportation	38,491	19,787	-	185	58,463
Operations of noninstructional services	36,597	1,836	999	37,840	77,272
Capital outlay:					
Facilities acquisition	-	-	-	103,596	103,596
Total Expenditures	1,053,431	250,000	2,366	175,841	1,481,638
Excess (Deficiency) of Revenues					
Over Expenditures	(82,832)	10,068	4,480	1,145	(67,139)
Fund Balance - Beginning, As Restated	198,133	1,854	42,657	27,741	270,385
Fund Balance - Ending	\$ 115,301	\$ 11,922	\$ 47,137	\$ 28,886	\$ 203,246

See accompanying Notes to Basic Financial Statements

**YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023**

Net Change in Fund Balances - Governmental Funds \$ (67,139)

Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense.

Expenditures for capital outlay	\$ 103,596	
Depreciation expense	<u>(105,070)</u>	(1,474)

In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. (582)

Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.

Property taxes		(2,672)
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Governmental funds report pension/OPEB contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions/OPEB.

Pension contributions	64,803	
Pension expense	1,350	
OPEB contributions	(100,069)	
OPEB expense	<u>3,475</u>	(30,441)

Change in Net Position of Governmental Activities \$ (102,308)

NOTES TO BASIC FINANCIAL STATEMENTS

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Yarnell Elementary School District No. 52 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

Reporting Entity

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District had no business-type activities during the fiscal year.

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

Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

Property taxes, intergovernmental grants and aid, tuition, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The District reports the following major governmental funds:

Major Governmental Funds

The *General Fund* is the District's primary operating fund. It accounts for all resources used to finance District maintenance and operation except those required to be accounted for in other funds. For budget purposes, it is described as the Maintenance and Operation Fund by Arizona Revised Statutes (A.R.S.) and is budgeted within four subsections titled regular education programs, special education programs, pupil transportation, and K-3 Reading Program.

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

The Other *Special Revenue Fund* accounts for the revenues and expenditures of civic center activity, community schools, and extracurricular activities tax credit operations.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenues include 1) charges for services, and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

When both restricted and unrestricted resources are available for use for governmental activities, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Deposits and Investments

Arizona Revised Statutes (A.R.S.) requires the District to deposit certain cash with the County Treasurer. That cash is pooled for investment purposes, except for cash in the Debt Service and Bond Building Funds, which are invested separately. As required by statute, interest earned by the Bond Building Fund is recorded in the Debt Service Fund.

A.R.S. authorize the District to invest public monies in the State and County Treasurer's investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

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

Statute does not include any requirements for credit risk, concentration of credit risk, interest rate risk, or foreign currency risk. Statute requires collateral for deposits of monies at 102% of all deposits not covered by federal depository insurance.

The State Board of Investments provides oversight for the State Treasurer's pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant's position in the pool approximates the value of that participant's pool shares. No comparable oversight is provided for the County Treasurer's investment pool, and that pool's structure does not provide for shares.

Property Taxes Receivables

The Yavapai 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.

Intergovernmental Receivable

Intergovernmental receivables are comprised of instructional improvement (\$1,673) and state and federal grants (\$34,821).

Deposits

Deposits in the amount of \$3,016 represents cash deposits with Mohave Educational Services in the food service cooperative.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

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

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

Asset Class	Years
Land improvements	10-20 years
Buildings and building improvements	5-50 years
Vehicles, equipment, furniture	5-25 years

Deferred Outflows of Resources

The District recognizes the liquidation of net position that is applicable to a future reporting period in the government-wide financial statements as deferred outflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions/OPEB under GASB 68 and GASB 75.

Interfund Receivables and Payables

The District records short-term borrowings as due to and due from other funds. The due to and due from other funds are recorded to eliminate deficit cash balances in individual funds. The District did not report any interfund receivables or payables in the current year.

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

Pension and Other Postemployment Benefit Plans

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

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

The deferred inflows of resources reported in the governmental fund financial statements represent resources that are not available to the District as of June 30, 2023, or within 60 days of fiscal year-end. These deferred inflows of resources represent a reconciling item between the governmental fund financial statements and the government-wide financial statements.

The District also recognizes the acquisition of net position that is applicable to a future reporting period as deferred inflows of resources. Reported amounts are related to the requirements of accounting and financial reporting for pensions/OPEB under GASB 68 and GASB 75.

Estimates

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

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets is separately reported because the District's capital assets make up a significant portion of total net position. Restricted net position account for the portion of net position restricted by parties outside the District. Unrestricted net position is the remaining net position not included in the previous two categories.

Fund Balance

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

The District did not report any committed or assigned fund balances during the current year.

Restricted fund balances are those that have externally imposed restrictions on their usage by creditors (such as through debt covenants), grantors, contributors, or laws and regulations. The committed fund balances are self-imposed limitations approved by the District's Governing Board, which is the highest level of decision-making authority within the District. Only the District Governing Board can remove or change the constraints placed on committed fund balances through formal board action at a public meeting. Fund balances must be committed prior to fiscal year-end. Assigned fund balances are resources constrained by the District's intent to be used for specific purposes but are neither restricted nor committed. The District's Governing Board has not authorized any management officials to make assignments of resources for a specific purpose.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance (Continued)

The unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not reported in the other classifications. Also, deficits in fund balances of the other governmental funds are reported as unassigned.

The District has not adopted a spending priority policy. When an expenditure is incurred that can be paid from either restricted or unrestricted fund balances, in accordance with GASB 54, the District uses restricted fund balance first. For the disbursement of unrestricted fund balances, the District follows the spending policy described in GASB 54 to use committed amounts first, followed by assigned amounts, and lastly unassigned amounts.

The District has classified its fund balances as follows:

	General Fund	Special Projects Fund	Other Special Revenue Fund	Non-Major Governmental Funds	Total Governmental Activities
Restricted					
Teacher compensation and other qualified programs (A.R.S. 15-977)	\$ -	\$ -	\$ -	\$ 5,478	\$ 5,478
Instructional improvement programs	-	-	-	10,145	10,145
Federal and state instructional programs	-	11,922	-	-	11,922
Food services	-	-	-	11,763	11,763
Community programs	-	-	5,671	-	5,671
Extracurricular activities	-	-	41,466	-	41,466
Capital projects	-	-	-	1,500	1,500
Total restricted	-	11,922	47,137	28,886	87,945
Unassigned	115,301	-	-	-	115,301
Total	\$ 115,301	\$ 11,922	\$ 47,137	\$ 28,886	\$ 203,246

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The District adopts an annual operating budget for expenditures for all governmental fund types on essentially the same modified accrual basis of accounting used to record actual expenditures (See Notes to Required Supplementary Information for exceptions). The Governing Board presents a proposed budget to the Superintendent of Public Instruction and County School Superintendent on or by July 5. The Governing Board legally adopts the final budget by July 15, after a public hearing has been held. Once adopted the budget can be increased or decreased only for specific reasons set forth in the A.R.S. All appropriations lapse at year-end.

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

The District reported expenditures in excess of the budget within the General Fund Budgetary basis subsections in special education and student transportation by \$2,287 and \$18,541, respectively. There was budget capacity in other General Fund subsections to make up for this deficit.

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and investments at June 30, 2023 consist of the following:

Deposits:		
Cash in bank	\$	405
Investments:		
Cash on deposit with county treasurer		203,229
Total deposits and investments	\$	<u>203,634</u>

Deposits

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District does not have a deposit policy for custodial credit risk. At June 30, 2023, the carrying amount of the District's deposits was \$405 and the bank balance was \$405. At June 30, 2023, the entire bank balance was covered by Federal Depository Insurance.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

At June 30, 2023, the District’s investments consisted of investment in the County Treasurer’s Investment pool. The State Board of Investment provides oversight for the State Treasurer’s pools, and the Local Government Investment Pool Advisory Committee provides consultation and advice to the Treasurer. The fair value of a participant’s position in the pool approximates the value of that participant’s pool shares and the participant’s shares are not identified with specific investments. No comparable oversight is provided for the County Treasurer’s investment pool, and that pool’s structure does not provide for shares.

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

Interest Rate Risk – The District does not have a formal investment policy regarding interest rate risk; however, the District manages its exposure to declines in fair values by limiting the average maturity of its investment portfolio to one year or less.

Credit Risk – The District has no investment policy that would further limit its investment choices. At June 30, 2023, the District’s investment in the County Treasurer’s investment pool did not receive a credit quality rating from a national rating agency.

NOTE 4 – UNAVAILABLE REVENUE

Property taxes are recognized as revenues in the fiscal year they are levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources. Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	Unavailable Revenue
Delinquent property taxes receivable:	
General Fund	\$ 17,688

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance July 01, 2022	Additions	Disposals	Balance June 30, 2023
Capital Assets Not Being Depreciated				
Land	\$ 335,635	\$ -	\$ -	\$ 335,635
Total Capital Assets Not Being Depreciated	335,635	-	-	335,635
Capital Assets Being Depreciated				
Land improvements	30,971	-	-	30,971
Buildings and improvements	2,646,315	103,596	-	2,749,911
Vehicles, equipment, and furniture	443,327	-	(23,628)	419,699
Total Capital Assets Being Depreciated	3,120,613	103,596	(23,628)	3,200,581
Less Accumulated Depreciation				
Land improvements	(24,327)	(475)	-	(24,802)
Buildings and improvements	(1,031,907)	(64,643)	-	(1,096,550)
Vehicles, equipment, and furniture	(333,858)	(39,952)	23,046	(350,764)
Total Accumulated Depreciation	(1,390,092)	(105,070)	23,046	(1,472,116)
Total Capital assets Being Depreciated, net	1,730,521	(1,474)	(582)	1,728,465
Governmental Activities Capital Assets, Net	\$ 2,066,156	\$ (1,474)	\$ (582)	\$ 2,064,100

Depreciation expenses was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 4,904
Support Services:	
Business and Other Support Services	7,174
Operations and Maintenance of Plant	68,222
Student Transportation	24,770
	<u>\$ 105,070</u>

NOTE 6 – INTERFUND RECEIVABLES AND PAYABLES

Interfund transfers for the year ended June 30, 2023 consisted of the following:

<u>Due to other funds</u>	<u>Due from other funds</u>
Special Projects Fund	General fund
	\$ 19,346

The above interfund receivables and payables are due to cash shortfalls on June 30, 2023. Revenues were received subsequent to June 30, 2023, to repay the short-term borrowing.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 – LONG-TERM OBLIGATIONS

Changes in long-term liabilities for the year ended June 30, 2023 are as follows:

	Balance			Balance		Due Within
	July 01, 2022	Additions	Deductions	June 30, 2023	One Year	
Net pension liability	\$ 475,652	\$ 219,675	\$ -	\$ 695,327	\$ -	-
Net OPEB liability	-	-	393	393	-	-
Total	\$ 475,652	\$ 219,675	\$ 393	\$ 695,720	\$ -	-

NOTE 8 – RISK MANAGEMENT

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

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

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

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

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Federal grants - In the normal course of operations, the District receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to 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.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 9 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

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.

NOTE 10 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS

Arizona State Retirement System

Plan Description

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

Benefits Provided

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

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

**With actuarially reduced benefits.*

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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

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

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

Contributions

In accordance with state statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, active ASRS members were required by statute to contribute at the actuarially determined rate of 12.17% (12.03% for retirement and 0.14% for long-term disability) of the members' annual covered payroll, and the District was required by statute to contribute at the actuarially determined rate of 12.17% (11.92% for retirement, 0.11% for health insurance premium benefit, and 0.14% for long-term disability) of the active members' annual covered payroll. In addition, the District was required by statute to contribute at the actuarially determined rate of 9.68% (9.62% for retirement and 0.06% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension, health insurance premium benefit, and long-term disability plans for the year ended June 30, 2023, were \$64,803, \$592, and \$758, respectively.

During the fiscal year ended June 30, 2023, the District paid for ASRS pension as follows: 70% from the General Fund, 17% and 13% from nonmajor governmental funds.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

Arizona State Retirement System (Continued)
Pension Liability

At June 30, 2023, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability.

	Net Pension/OPEB Liability (Asset)
Pension	\$ 695,327
Health insurance premium benefit	(23,775)
Long-term disability	393

The net asset and net liabilities were measured as of June 30, 2022. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022.

The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2022, and the change from its proportions measured as of June 30, 2021, were:

	District % Proportion June 30, 2022	Increase (Decrease) from June 30, 2021
Pension	0.00426%	0.00064%
Health insurance premium benefit	0.00426%	0.00063%
Long-term disability	0.00425%	0.00063%

Expense

For the year ended June 30, 2023, the District recognized the following pension and OPEB expense:

	Pension/OPEB Expense
Pension	\$ 100,069
Health insurance premium benefit	(3,656)
Long-term disability	181
Total Pension/OPEB Expense:	<u>\$ 96,594</u>

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Deferred Outflows/Inflows of Resources

As of June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ 5,925	\$ -	\$ 204
Changes of assumptions or other inputs	34,510	386	214
Changes in proportion and differences between contributions and proportionate share of contributions	72,179	18	416
Contributions subsequent to the measurement date	64,803	592	758
Total	<u>\$ 177,417</u>	<u>\$ 996</u>	<u>\$ 1,592</u>

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ -	\$ 12,133	\$ 366
Changes of assumptions or other inputs	-	648	958
Net difference between projected and actual earnings on pension plan investments	18,316	801	12
Changes in proportion and differences between contributions and proportionate share of contributions	-	758	111
Total	<u>\$ 18,316</u>	<u>\$ 14,340</u>	<u>\$ 1,447</u>

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in expenses as follows:

Year Ending June 30:	Deferred Outflows (Inflows) of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
2024	\$ 74,569	\$ (3,797)	\$ (37)
2025	22,214	(4,115)	(59)
2026	(31,800)	(4,505)	(151)
2027	29,315	(815)	20
2028	-	(704)	(162)
Thereafter	-	-	(224)
Total	<u>\$ 94,298</u>	<u>\$ (13,936)</u>	<u>\$ (613)</u>

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Actuarial Assumptions

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

	Pensions	Health Insurance Premium Benefit	Long-Term Disability
Actuarial valuation date	June 30, 2021	June 30, 2021	June 30, 2021
Actuarial roll forward date	June 30, 2022	June 30, 2022	June 30, 2022
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	2.9-8.4%	Not applicable	Not applicable
Inflation rate	2.3%	2.3%	2.3%
Permanent base increases	Included	Not applicable	Not applicable
Mortality rates	2017 SRA Scale U-MP	2017 SRA Scale U-MP	Not applicable
Recovery rates	Not applicable	Not applicable	2012 GLDT

Actuarial assumptions used in the June 30, 2021, valuation were based on the results of an actuarial study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS plan investments was determined to be 7.00% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Equity	50%	3.90%
Fixed income - credit	20%	5.30%
Fixed income - interest rate sensitive	10%	(0.20%)
Real Estate	20%	6.00%
Total	100%	

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 10 – PENSION AND OTHER POSTEMPLOYMENT BENEFIT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Discount Rate

On June 30, 2022, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. 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/OPEB liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net pension/OPEB (asset) liability calculated using the discount rate of 7.00%, as well as what the District’s proportionate share of the net pension/OPEB (asset)/liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current rate.

	<u>Proportionate share of the net liability (asset)</u>		
	Current		
	1% Decrease (6.0%)	Discount Rate (7.0%)	1% Increase (8.0%)
Pension	\$ 1,025,934	\$ 695,327	\$ 419,652
Health insurance premium benefit	(17,096)	(23,775)	(29,442)
Long-term disability	651	393	142

Pension Plan Fiduciary Net Position

Detailed information about the pension plan’s fiduciary net position is available in the separately issued ASRS financial report.

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 11 – RESTATEMENT OF FUND BALANCE

At June 30, 2023, the District recorded a restatement of fund balance to better align its fund balance classifications with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* and the Uniform System of Financial Records (USFR). In the previous year, Unrestricted capital outlay, School Plant, and Insurance Proceeds were recorded as a Special projects, other special revenue or capital projects funds fund whereas it should have been recorded within the General Fund as the monies were not restricted by a third party or committed. In addition, the Civic Center and Textbooks Funds were recorded as unrestricted within the General Fund, but are restricted per the USFR Chart of Accounts.

The net effects of the reclassification within the Governmental Funds are as follows:

Governmental Funds

	Fund balance as previously stated	Fund balance reclassification	Adoption of GASB Statement No. 84	Fund balance as restated
General Fund	\$ 96,998	\$ 101,135	\$ -	\$ 198,133
Special Projects Fund	1,854	-	-	1,854
Other Special Revenue Fund	62,719	(20,062)	-	42,657
Non-Major Governmental Funds	108,814	(81,073)	-	27,741
Total governmental funds	<u>\$ 270,385</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,385</u>

REQUIRED SUPPLEMENTARY INFORMATION

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
COST SHARING PENSION PLAN
JUNE 30, 2023

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date)								
	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)	2015 (2014)
Proportion of the net pension liability	0.00426%	0.00400%	0.00300%	0.00400%	0.00300%	0.00000%	0.00000%	0.00000%	0.00000%
Proportionate share of the net pension liability	\$ 695,327	\$ 475,652	\$ 599,498	\$ 551,489	\$ 481,154	\$ 548,347	\$ 593,989	\$ 527,642	\$ 614,673
Covered payroll	\$ 536,990	\$ 435,708	\$ 410,875	\$ 429,592	\$ 369,970	\$ 378,185	\$ 367,282	\$ 362,538	\$ 405,936
Proportionate share of the net pension liability as a percentage of its covered payroll	129.49%	109.17%	145.91%	128.38%	130.05%	144.99%	161.73%	145.54%	151.42%
Plan fiduciary net position as a percentage of the total pension liability	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%	69.49%

SCHEDULE OF CONTRIBUTIONS

	Reporting Fiscal Year								
	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 64,803	\$ 60,894	\$ 47,467	\$ 43,258	\$ 44,734	\$ 37,318	\$ 36,909	\$ 39,408	\$ 36,171
Contributions in relation to the actuarially determined contribution	64,803	60,894	47,467	43,258	44,734	37,318	36,909	39,408	36,171
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 570,202	\$ 536,990	\$ 435,708	\$ 410,875	\$ 429,592	\$ 369,970	\$ 378,185	\$ 367,282	\$ 362,538
Contributions as a percentage of covered payroll	11.36%	11.34%	10.89%	10.53%	10.41%	10.09%	9.76%	10.73%	9.98%

See accompanying Notes to Required Supplementary Information

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances -</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final to Actual</u>
REVENUES				
Property taxes	\$ -	\$ -	\$ 603,510	\$ 603,510
Intergovernmental	-	-	276,452	276,452
Investment earnings	-	-	943	943
Other	-	-	1	1
Total Revenues	-	-	880,906	880,906
EXPENDITURES				
Regular education:				
Instruction	506,584	730,103	287,016	443,087
Support services - instructional staff	1,915	1,915	5,445	(3,530)
Support services - general administration	85,050	143,116	168,389	(25,273)
Support services - school administration	-	-	20	(20)
Support services - business and other	53,255	59,007	67,261	(8,254)
Operations and maintenance of plant	61,200	84,257	100,242	(15,985)
Operation of noninstructional services	34,000	35,151	22,776	12,375
Total regular education	742,004	1,053,549	651,149	402,400
Special education:				
Instruction	160,960	165,960	155,149	10,811
Support services - students	115,100	105,800	118,951	(13,151)
Support services - instructional staff	-	300	300	-
Support services - business and other	100	100	47	53
Total special education	276,160	272,160	274,447	(2,287)
Pupil transportation:				
Student transportation services	17,950	19,950	38,491	(18,541)
K-3 reading program:				
Instruction	3,698	1,858	1,858	-
Total Expenditures	1,039,812	1,347,517	965,945	381,572
Excess (Deficiency) of Revenues				
Over Expenditures	(1,039,812)	(1,347,517)	(85,039)	1,262,478
NET CHANGE IN FUND BALANCE	(1,039,812)	(1,347,517)	(85,039)	1,262,478
Fund Balance - Beginning	-	-	71,245	71,245
Fund Balance - Ending	\$ (1,039,812)	\$ (1,347,517)	\$ (13,794)	\$ 1,333,723

See accompanying Notes to Required Supplementary Information

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
BUDGETARY COMPARISON SCHEDULE
SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2023

	<u>Budgeted Amounts</u>		<u>Variances -</u>	
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final to Actual</u>
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 259,598	\$ 259,598
Investment earnings	-	-	470	470
Total Revenues	-	-	260,068	260,068
EXPENDITURES				
Regular education:				
Instruction	58,231	67,501	40,922	26,579
Support services - students	5,286	6,128	3,715	2,413
Support services - general administration	63,522	73,634	44,640	28,994
Operations and maintenance of plant	6,179	7,162	4,342	2,820
Operation of noninstructional services	2,613	3,028	1,836	1,192
Total regular education	135,830	157,453	95,455	61,998
Special education:				
Instruction	65,584	76,024	46,089	29,935
Support services - students	125,889	145,930	88,469	57,461
Support services - business and other	285	330	200	130
Total special education	191,757	222,283	134,758	87,525
Pupil transportation:				
Student transportation services	28,156	32,639	19,787	12,852
Total Expenditures	355,744	412,375	250,000	149,523
Excess (Deficiency) of Revenues				
Over Expenditures	(355,744)	(412,375)	10,068	409,591
Fund Balance - Beginning	-	-	1,854	1,854
Fund Balance - Ending	\$ (355,744)	\$ (412,375)	\$ 11,922	\$ 424,297

See accompanying Notes to Required Supplementary Information

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
BUDGETARY COMPARISON SCHEDULE
OTHER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2023

	Budgeted Amounts		Actual	Variances -
	Original	Final		Final to Actual
REVENUES				
Extracurricular activities	\$ -	\$ -	\$ 5,647	\$ 5,647
Contributions and donations	-	-	50	50
Investment earnings	-	-	1,030	1,030
Other	-	-	119	119
Total Revenues	-	-	6,846	6,846
EXPENDITURES				
Regular education:				
Instruction	4,579	5,079	230	4,849
Support services - general administration	5,136	5,698	258	5,440
Support services - school administration	5,634	6,250	283	5,967
Support services - business and other	1,334	1,480	67	1,413
Operations and maintenance of plant	7,405	8,215	372	7,843
Operation of noninstructional services	19,887	22,062	999	21,063
Total regular education	43,975	48,783	2,209	46,574
Special education:				
Support services - students	3,125	3,467	157	3,310
Total Expenditures	47,100	52,250	2,366	49,884
Excess (Deficiency) of Revenues				
Over Expenditures	(47,100)	(52,250)	4,480	56,730
Fund Balance - Beginning	-	-	42,657	42,657
Fund Balance - Ending	\$ (47,100)	\$ (52,250)	\$ 47,137	\$ 99,387

See accompanying Notes to Required Supplementary Information

YARNELL ELEMENTARY SCHOOL DISTRICT NO. 52
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2023

NOTE 1 – AVAILABILITY OF PRIOR YEAR PENSION INFORMATION

Information prior to the measurement date of June 30, 2014, was not available. GASB Statement No. 68 requires the District to present 10 years of pension information as required supplementary information. However, until a full 10 years of trend data is compiled, the District will present information for only those years for which information is available.

NOTE 2 – BUDGETARY BASIS OF ACCOUNTING

The District’s adopted budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America, with the following exception:

- 1) The General Fund as reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances includes the District’s Maintenance and Operation Fund in addition to several other District funds as required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*; however, for budgetary purposes, the District prepares a separate Maintenance and Operation Fund budget.

The following adjustments are necessary to present actual revenues, expenditures, other financing sources and uses, beginning fund balance and ending fund balance on a budgetary basis in order to present only the activity of the District’s Maintenance and Operation Fund for budgetary purposes.

	General Fund				
	Total	Total	Other Financing Sources and Uses	Fund balance beginning of year	Fund balance end of year
	Revenues	Expenditures			
Statement of revenues, expenditures and changes in fund balance	\$ 970,599	\$ 1,053,431	\$ -	\$ 198,133	\$ 115,301
Non-maintenance and operation activity included in the General Fund	(89,693)	(87,486)	-	(126,888)	(129,095)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	\$ 880,906	\$ 965,945	\$ -	\$ 71,245	\$ (13,794)



**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
Yarnell Elementary School District No. 52
Peeples Valley, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Yarnell Elementary School District No. 52 (District) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated June 30, 2023.

Report on Internal Control Over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Yarnell Elementary School District No. 52 financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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



Mesa, Arizona
March 29, 2024