



## Regular Board Meeting Agenda

**Tuesday, November 9, 2021 | 6:00 PM | District Office Board Room, 8176 N. Westover, Joseph City, AZ 86032**

*Items on the regular meeting agenda may be discussed in executive session related to employment matters, for the purpose of obtaining legal advice thereon or other matters pursuant to A.R.S. 38-431.03(A). The Governing Board may change the order of agenda items, pursuant to Governing Board Policy BEDB.*

### **1. PUBLIC HEARING**

Individuals may comment on the Joseph City Unified School District's plan for using ESSER III (Federal COVID relief) funds allocated to the District.

### **2. OPENING ITEMS**

- A. Call to Order
- B. Roll Call
- C. Pledge of Allegiance
- D. Invocation
- E. Adoption of Agenda
- F. Approve Minutes of the October 12, 2021 Regular Board Meeting

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**Minutes of Regular Board Meeting of the Governing Board  
Joseph City Unified School District  
District Office Board Room | 8176 N. Westover | Joseph City, AZ 86032  
Tuesday, October 12, 2021**

**Members present**

Eldon Larsen (President), Rhonda Roberson (Clerk), Andrew Bushman

**Administrators present**

Bryan Fields (Superintendent), Eric Miller (Principal), Darrel Mosier (Principal), Steve Mills (Business Manager)

**Others present**

None

**1. PUBLIC HEARING**

The public was invited to comment on the draft plan to modify the instructional days to allow for remote and assignment-based learning for students. There were no comments from the public.

**2. OPENING ITEMS**

**A. Call to Order**

Eldon Larsen called the meeting to order at 6:03 p.m.

**B. Roll Call**

**C. Pledge of Allegiance**

**D. Invocation**

**E. Adoption of Agenda**

Motion to adopt the agenda by Rhonda Roberson, second by Andrew Bushman.

Final resolution: Motion carries

Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman

**F. Approve Minutes of the September 14, 2021 Regular Board Meeting**

Motion to approve the minutes by Rhonda Roberson, second by Andrew Bushman.

Final resolution: Motion carries

Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman

**G. Superintendent's Report**

**3. CALL TO THE PUBLIC**

There were no requests to address the board.

**4. POSSIBLE EXECUTIVE SESSION**

None.

**5. CONSENT AGENDA**

Motion to approve the Consent Agenda items as presented. Motion by Eldon Larsen, second by Andrew Bushman.

Final resolution: Motion carries

Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman

**A. Approve Expense Vouchers**

Action to ratify district vouchers for the period 9/8/21 through 10/5/21.

**General and Special Funds:** #7 \$142,704.92; #8 \$77,487.05; #9 \$146,442.83; #1013 #1,908.70; #1014 \$110,352.63; #1015 \$37,085.79; #1016 \$2,088.48; #1017 \$63,211.71; #1018 \$81,235.95

**Auxiliary Operations Funds:** #1016 \$168.05; #1020 \$524.83; #1022 \$2,179.57

**Student Activities Fund:** #1017 \$386.34; #1018 \$577.12; #1019 \$713.07; #1023 \$1,071.57

**B. Student Activities Fund Report**

Revenues, expenditures and charges in the Student Activities Fund Report; period of September 1, 2021 through September 30, 2021 and July 1, 2021 through September 30, 2021

**6. PERSONNEL REQUESTS**

**A. Employee Assignments, Employee Renewals, Volunteers, Employee Resignations**

Motion to approve employee assignments and renewals by Eldon Larsen, second by Rhonda Roberson.

There were no Volunteers or Employee Resignations.

Final resolution: Motion carries

Eldon Larsen, Rhonda Roberson, Andrew Bushman

RENEWALS:

Jody Balda - Off-Season Pool Maintenance

ASSIGNMENTS:

Brenda Bryant - Elementary Red Ribbon Coordinator (funded by Youth, Faith & Family Grant)

Peter Bushman - Science Fair Coordinator

Jeri Edwards - Substitute JV Volleyball Coach (duties and pay shared with Daniel Hutchens)

Daniel Hutchens - Substitute JV Volleyball Coach (duties and pay shared with Jeri Edwards)

Daniel Hutchens - Athletic Director / Assistant Administrator (transition from JCUSD employee to ESI contractor effective November 12, 2021)

Darrel Mosier - Elementary Principal (transition from ESI contractor to JCUSD employee, effective October 18, 2021)

Julie Randall - Jr/Sr High Red Ribbon Coordinator (funded by Youth, Faith & Family Grant)

**B. Personnel Appointments**

Motion to approve the appointment of new personnel and changes to positions of current personnel by Eldon Larsen, second by Andrew Bushman.

Final resolution: Motion carries

Eldon Larsen, Rhonda Roberson, Andrew Bushman

Bennett Beatty - Student Concession Worker

Aidan Berge - Student Concession Worker

Bryce Bushman - Auditorium Tech

Jeri Edwards - Event Worker

Katie Frost - Event Worker

Cara Hutchens - Event Worker

Arami Miller - Event Worker

Peter Miller - Student Concession Worker

Samuel Neat - Student Concession Worker

Jennifer Oldham - Event Worker

Anthony Warner - Student Concession Worker

**7. ACTION ITEMS**

**A. Discussion and Possible Approval of the Joseph City Unified School District Instructional Time Model for the 2021-2022 School Year**

Motion to approve the Instructional Time Model for the 2021-22 school year as presented. Motion by Eldon Larson, second by Andrew Bushman.

Final resolution: Motion carries  
Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman

**B. Adjust Pay Schedules to Comply with New Minimum Wage Effective January 1, 2022**

Motion to adjust pay schedules to comply with new minimum wage effective January, 1, 2022 by Eldon Larsen, second by Rhonda Roberson.

Final resolution: Motion carries  
Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman

**C. Approval of Guidance Counselor Performance Pay Plan**

Motion to approve Guidance Counselor Performance Pay Plan by Eldon Larsen, second by Rhonda Roberson.

Final resolution: Motion carries  
Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman

**D. Approve the Joseph City Schools Annual Financial Report for 2020-21**

Motion to approve the Joseph City Schools Annual Financial Report for 2020-21 by Eldon Larsen, second by Rhonda Roberson.

Final resolution: Motion carries  
Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman

**8. DISCUSSION ITEMS**

**A. Report and Public Comment on the Use of Maintenance and Operations Override Monies for 2020-21**

Information was presented on the use of Maintenance and Operations override monies as required by statute. The public was invited to comment. There were no comments from the public.

**B. Policy Advisory - First Reading Policies GCH, IMB, JLCB and Regulations GBGB-R, JLCB-R**

These policies were reviewed and discussed by the board.

**9. INFORMATION ITEMS**

**A. Joseph City Schools Audit and Compliance Reports for 2019-20**

The audit and compliance reports were presented to the board for review. The board will vote on acceptance of the reports at their November meeting.

**B. Requests for Future Agenda Items**

None.

**C. Upcoming Meetings and Events Calendar**

- Board Study Session - November 3, 2021; 6:00 p.m.
- Next Regular Board Meeting - November 9, 2021; 6:00 p.m.

**10. ADJOURNMENT**

Motion to adjourn the meeting by Eldon Larsen, second by Rhonda Roberson.

Final resolution: Motion carries  
Yes: Eldon Larsen, Rhonda Roberson, Andrew Bushman  
Meeting adjourned at 7:20 p.m.

APPROVED:

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Board Clerk or President

G. Approve the Minutes of the November 3, 2021 Study Session

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**Minutes of Study Session of the Governing Board  
Joseph City Unified School District  
District Office Board Room | 8176 N. Westover | Joseph City, AZ 86032  
Wednesday, November 3, 2021**

**Members present**

Eldon Larsen (President), Andrew Bushman, Dayton Flake, Karsten Flake

**Administrators present**

Bryan Fields (Superintendent), Steve Mills (Business Manager)

**Others present**

Karin Smith (Heinfeld-Meech) presented information to the board live online.

Darrel Mosier (Principal)

Julie Fields (Grants Manager)

**1. OPENING ITEMS**

**A. Call to Order**

Eldon Larsen called the meeting to order at 6:07 p.m.

**2. ITEMS FOR DISCUSSION AND REVIEW**

**A. Discussion Related to the Joseph City Schools Budget, Future Planning, Use of ESSER Funds**

The board and administration discussed current and potential funding sources. Ideas were presented for the use of ESSER funds and other budget needs. Spending priorities were discussed. All items presented for discussion and study only. No action was taken by the board.

**3. ADJOURNMENT**

The meeting was adjourned at 8:50 p.m.

APPROVED:

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Board Clerk or President

H. Report on Northern Arizona Vocational Institute of Technology (NAVIT)

NAVIT Superintendent Matt Weber will provide the board with information on the status of vocational programs.

I. Superintendent's Report

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November 9, 2021

Joseph City Governing Board Meeting

Current Events and Updates

B. Fields, Superintendent

- The Halloween Carnival on October 30<sup>th</sup> was well attended and everyone had a good time. Funds were made by the respective HS classes. Much appreciation to all who worked to make this happen.
- Our COVID cases have been sturdily decreasing and this is an encouraging trend.
- Mr. Miller is being awarded the Administrator of the Year, by the Arizona Thespians Association. Congratulations to him and thank you to Mr. Foree and the music/drama department for nominating him.
- The District has been participating in Joseph City Community Visioning meetings and this has been going well. Thank you to all of the board members who've been able to attend.
- We will be working on next year's calendar soon and Mr. Flake is preparing a survey for staff, parents and students that I will share with the Governing Board once I receive it.
- I would also like to express my appreciation to the Governing Board for attending the work session to discuss the ESSER funds that the District is deciding how to spend. We are working to get the Board something formal but generally speaking, these are some of the priorities that we are going to focus on first. Buses, HVAC system upgrades including control system upgrades, Solar payoff and/or investments, and maintaining current staffing levels. There are other important items that should be addressed ESSER funds soon as well. Some of these may or may not cost much but they may still be considered important: FB lighting, Elementary playground equipment, railing at the bleachers, sidewalk repairs, flooring/carpeting, additional roofing projects, adding or upgrading vocational programs, combining or separating water lines and water meters, refurbishing the track, PA/intercom system replacement, and plumbing upgrades. A few projects that we are going to research for further evaluation include: remodeling of outdoor areas to be better utilized, artificial turf/grass, solar pool heating.
- The SFB is formalizing the award for the Elementary roof project at their Board meeting on November 18. Unfortunately, they are running low on funds for this year and our Auditorium project appears to be one that is going to be pushed back. I haven't received final word on it yet. I have talked with them about potential funding for some of the projects that are on our ESSER list but could qualify for SFB funds. It appears as if they are interested in partially assisting us with an HVAC upgrade. I should know more by next week. Meanwhile I have sent out a request to two different engineering firms to look at our systems for the feasibility of a total replacement or to replace with an individual units' system. We also have scheduled a site visit with Trane in regards to this to see what they can offer.
- I would like to remind Governing Board members that there are projects and equipment that the District has which may not qualify for either SFB funds or ESSER funds. Some of these are the parking lot resurfacing, staff vehicles and vans, swimming pool deck mats, and exterior door security systems.

- The school is working with the Joseph City Foundation to distribute Turkeys to those who need them this Thanksgiving. This has been made possible by a generous donation from APS. The Foundation has provided the school with a good opportunity for students to serve and contribute to the community. If any of you are aware of someone who would like a turkey this Thanksgiving please let me, or Bob and Karen Martineau know about them.
- The Junior High School has an assembly scheduled for November 18<sup>th</sup> at 1:00pm, titled Music and a Message. You are invited to attend if you would like to do so. The assembly will be about 45 minutes in length and will be about the 5 Safety Rules, Speak Up Be Safe, Anti-Bullying and Internet Safety.
- The Winter sports season is underway. Participation numbers look great. Our VB team is currently participating in the state tournament.



**Summary of Financial Operations (Unaudited)  
October 31, 2021**

Fund		Budget	YTD Expenses	Encumbrances	Budget Balance
001	Maintenance & Operation	\$4,836,067	\$1,403,878	\$2,749,659	\$ 682,530
010-013	Classroom Site Funds	\$ 431,004	\$ 30,555	\$ 102,414	\$ 298,036
100-130	Title I	\$ 260,000	\$ 49,174	\$ 82,632	\$ 128,193
140-150	Title II - Profesional Development	\$ 40,000	\$ 4,802	\$ -	\$ 35,198
200-209	Title VII - Indian Education	\$ 15,000	\$ 8,893	\$ 156	\$ 5,951
220-229	IDEA/Special Education Grants	\$ 175,000	\$ 27,841	\$ 55,186	\$ 119,561
230	Johnson-O'Malley (JOM)	\$ 4,500	\$ 253	\$ 1,082	\$ 3,165
260-270	Career & Technical Ed (CTE) - Federal	\$ 16,000	\$ 3,590	\$ 686	\$ 11,723
290-291	Medicare Reimbursement	\$ 25,000	\$ 52	\$ 548	\$ 24,400
326-346	ESSER / CARES / ESG	\$1,746,229	\$ 173,236	\$ 78,242	\$1,494,751
374	E-Rate	\$ 2,000	\$ -	\$ -	\$ 2,000
390-396	REAP (Federal Rural Assistance)	\$ 45,000	\$ -	\$ 15,680	\$ 29,320
400	Career & Technical Ed (CTE) - State	\$ 10,000	\$ 277	\$ 1,060	\$ 8,663
466	Healthy Drug-Free Community	\$ 170,000	\$ 7,570	\$ 31,172	\$ 131,258
506	School Plant (Sale)	\$ 5,000	\$ -	\$ -	\$ 5,000
510	Food Service	\$ 300,000	\$ 57,794	\$ 146,299	\$ 95,907
515	Civic Center	\$ 10,000	\$ 153	\$ -	\$ 9,847
520	Preschool Tuition	\$ 12,000	\$ 2,103	\$ 4,350	\$ 5,547
525	Auxiliary Operations	\$ 80,000	\$ 48,345	\$ 20,131	\$ 11,524
526	Extracurricular Activities Tax Credit	\$ 20,000	\$ 2,131	\$ -	\$ 17,869
530	Gifts & Donations	\$ 50,000	\$ 573	\$ -	\$ 49,427
535-539	CTE & Vocational Education Projects	\$ 5,000	\$ 1,315	\$ 483	\$ 3,202
550	Insurance Proceeds	\$ 60,000	\$ -	\$ -	\$ 60,000
565	Litigation Recovery	\$ 35,000	\$ -	\$ -	\$ 35,000
570	Indirect Costs	\$ 35,000	\$ 7,557	\$ 23,097	\$ 4,346
596	NAVIT	\$ 45,000	\$ 7,629	\$ 19,858	\$ 17,513
610	Capital Outlay	\$ 404,120	\$ 248,266	\$ 33,189	\$ 122,666
620	Adjacent Ways	\$ 75,000	\$ 2,534	\$ 4,081	\$ 68,385
665	Energy and Water Savings	\$ 49,000	\$ -	\$ -	\$ 49,000
686	SFB Emergency Deficiency Correction	\$ 140,000	\$ -	\$ -	\$ 140,000
691	SFB Building Renewal Grant	\$1,600,000	\$ 47,797	\$1,467,857	\$ 84,346
850	Student Activities	\$ 60,000	\$ 8,818	\$ 2,461	\$ 48,721

### 3. CALL TO THE PUBLIC

Individuals who wish to address the Board are requested to complete the appropriate form prior to the meeting and give the form to the Board Secretary. Members of the Board may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter or scheduling the matter for a future agenda. The Board requests that all comments be limited to five minutes or less, that speakers refrain from the use of speech or language that is offensive or inappropriate, pursuant to Board policy KFA and that speakers refrain from voicing complaints against school personnel or any person connected with the District, as it may impact due process rights. Policies KE, KEB, and KED are provided by the Board for disposition of legitimate complaints, including those involving individuals. Forms required for use of these policies can be obtained from the Joseph City Schools website. The President will limit discussion whenever he deems such action appropriate to the proper conduct of the meeting.

### 4. POSSIBLE EXECUTIVE SESSION (\*)

For any agenda item indicated with an asterisk (\*), the Board may vote to convene in Executive Session pursuant to A.R.S. 38-431.03 (A) (1) for personnel matters when notified; (2) discussion or consideration of records exempt by law from public inspection; (3) for consultation with attorney; (4) for consultation with attorney when in pending or contemplated litigation. Discussion or consideration of personnel matters may include employment, assignment, appointment, promotion, demotion, dismissal, salaries, disciplining or resignation of a public officer, appointee or employee.

### 5. CONSENT AGENDA

Vote on Consent Agenda. All items listed will be considered as a group and will be approved with one motion unless a Board Member requests an item be removed from the consent agenda and considered as a separate item.

#### A. Approve Expense Vouchers

Action to ratify district vouchers for period 10/6/2021 through 11/2/2021.

**General and Special Funds:** #10 \$150,633.75; #11 \$150,170.10; #1016 \$2,391.35; #1020 \$50,667.88; #1021 \$24,057.78; #1022 \$2,018.00; #1023 \$274,734.98

**Auxiliary Operations Funds:** #1024 \$282.75; #1025 \$1,863.67; #1026 \$850.00; 1029 \$5,622.19; #1030 \$1,168.48

**Student Activities Fund:** #1027 \$2,309.53; #1031 \$2,002.19

#### B. Student Activities Fund Report

Revenues, expenditures and charges in the Student Activities Fund Report; period of October 1, 2021 through October 31, 2021.

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## Joseph City USD External Funds

### Student Activities Summary Report

Fiscal Year: 2021-2022

From: 10/1/2021 To: 10/31/2021

Print Detail

Page Break by Activity

Exclude Encumbrances

Reverse Signs

Subtotal By Journal

	Range Beg. Balance	Range Revenue	Range Expenditures	Balance	Encumbrances	Available Balance
000.000 Undesignated DO NOT USE	.00	.00	.00	.00	.00	.00
102.610 Joseph City Jr High School Student Council	1,058.12	.00	.00	1,058.12	(188.96)	869.16
102.612 Joseph City Jr High School Softball	(11.39)	.00	.00	(11.39)	.00	(11.39)
102.619 Joseph City Jr High School Volleyball	198.27	.00	.00	198.27	.00	198.27
102.629 Joseph City Jr High School Track	260.11	.00	.00	260.11	.00	260.11
102.637 Joseph City Jr High School Class of 2024	242.76	.00	.00	242.76	.00	242.76
102.638 Joseph City Jr High School Class of 2025	231.32	.00	.00	231.32	.00	231.32
102.639 Joseph City Jr High School Class of 2026	103.93	.00	.00	103.93	.00	103.93
102.640 Joseph City Jr High School Class of 2027	1,093.99	.00	.00	1,093.99	.00	1,093.99
102.641 Joseph City Jr High School Class of 2028	.00	.00	.00	.00	.00	.00
102.642 Joseph City Jr High School Class of 2029	.00	.00	.00	.00	.00	.00
203.601 Joseph City High School Band	351.95	.00	.00	351.95	.00	351.95
203.602 Joseph City High School Baseball	326.74	.00	.00	326.74	.00	326.74
203.605 Joseph City High School Chess Club	.00	.00	.00	.00	.00	.00
203.606 Joseph City High School Card and Game Club	146.14	.00	.00	146.14	.00	146.14
203.607 Joseph City High School Drama	775.17	.00	.00	775.17	.00	775.17
203.608 Joseph City High School Future Business Leaders of America	12.59	.00	.00	12.59	.00	12.59
203.609 Joseph City High School Girls Basketball	714.79	.00	.00	714.79	.00	714.79
203.610 Joseph City High School Student Council	6,087.27	.00	(1,071.57)	5,015.70	1,092.46	6,108.16
203.611 Joseph City High School National Honor Society	695.96	.00	.00	695.96	.00	695.96
203.612 Joseph City High School Softball	1,234.31	.00	.00	1,234.31	.00	1,234.31
203.613 Joseph City High School Momentum Club/Audition Choir	409.15	.00	.00	409.15	.00	409.15

## Joseph City USD External Funds

### Student Activities Summary Report

Fiscal Year: 2021-2022

From: 10/1/2021 To: 10/31/2021

Print Detail

Page Break by Activity

Exclude Encumbrances

Reverse Signs

Subtotal By Journal

	Range Beg. Balance	Range Revenue	Range Expenditures	Balance	Encumbrances	Available Balance
203.614 Joseph City High School Wrestling	1,693.99	.00	.00	1,693.99	.00	1,693.99
203.615 Joseph City High School Cheerleaders	3,245.24	.00	.00	3,245.24	.00	3,245.24
203.616 Joseph City High School Welding	106.33	.00	.00	106.33	.00	106.33
203.617 Joseph City High School Woods	104.72	.00	.00	104.72	.00	104.72
203.618 Joseph City High School Boys Basketball	1,737.39	.00	.00	1,737.39	.00	1,737.39
203.619 Joseph City High School Volleyball	10,280.17	3,189.01	(2,309.53)	11,159.65	707.52	11,867.17
203.620 Joseph City High School FACS	35.74	.00	.00	35.74	.00	35.74
203.624 Joseph City High School Basketball Cheerleaders	.00	.00	.00	.00	.00	.00
203.625 Joseph City High School FFA	(292.52)	.00	.00	(292.52)	.00	(292.52)
203.626 Joseph City High School Happy Club	880.07	.00	.00	880.07	.00	880.07
203.627 Joseph City High School Robotics	359.85	.00	.00	359.85	.00	359.85
203.628 Joseph City High School Cross Country	948.26	.00	.00	948.26	.00	948.26
203.629 Joseph City High School Track	191.04	.00	.00	191.04	.00	191.04
203.630 Joseph City High School Football	1,008.26	392.00	.00	1,400.26	.00	1,400.26
203.631 Joseph City High School Technology Club	109.95	.00	.00	109.95	.00	109.95
203.632 Joseph City High School Class of 2019	.00	.00	.00	.00	.00	.00
203.633 Joseph City High School Class of 2020	.00	.00	.00	.00	.00	.00
203.634 Joseph City High School Class of 2021	.00	.00	.00	.00	.00	.00
203.635 Joseph City High School Class of 2022	2,156.62	.00	.00	2,156.62	.00	2,156.62
203.636 Joseph City High School Class of 2023	3,665.72	.00	.00	3,665.72	.00	3,665.72
500.300 Districtwide UNDESIGNATED	(124.74)	.00	.00	(124.74)	.00	(124.74)
500.600 Districtwide UNDESIGNATED	(68.90)	.00	.00	(68.90)	.00	(68.90)

## Joseph City USD External Funds

### Student Activities Summary Report

Fiscal Year: 2021-2022

From: 10/1/2021      To: 10/31/2021

Print Detail

Page Break by Activity

Exclude Encumbrances

Reverse Signs

Subtotal By Journal

	Range Beg. Balance	Range Revenue	Range Expenditures	Balance	Encumbrances	Available Balance
<b>GRAND TOTALS</b>	39,968.37	3,581.01	(3,381.10)	40,168.28	1,611.02	41,779.30

End of Report

## **6. PERSONNEL REQUESTS (\*)**

Discussion and possible action to approve employee assignments, approve volunteers and accept employee resignations.

### **A. Employee Assignments, Employee Renewals, Volunteers, Employee Resignations**

Discussion and possible action to approve employee assignments and renewals, approve volunteers and accept employee resignations.

#### **RENEWAL:**

Claire Young - Tutor

#### **RESIGNATION:**

Alyssa Buckley - Instructional Aide

Talaina Kor - Substitute Teacher

### **B. Personnel Appointments**

Discussion and possible action to approve the appointment of new personnel and changes to positions of current personnel.

Jeri Edwards - Event Worker

Daniel Hutchens - Head Coach (Jr High Boys Basketball)

Arami Miller - Concession Worker

Arami Miller - Event Worker

Shane Smith - Concession Worker

Mary Spurlock - Tutor

Sharon Spurlock - Tutor

## **7. ACTION ITEMS**

A. Approve Performance Pay Plan for Speech Therapist

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**Specialist (Speech Pathologist) Performance Pay Plan 2021 – 2022**

- The amount of the stipend associated with this plan will be the same amount (estimated to be \$1,900) that qualifying certified teachers will receive.
- This plan is designed specifically for JCUSD Specialist and Speech Pathologist, Natalie Hancock, for the 2021 – 2022 school year.

To qualify for the compensation associated with this plan the following must be performed to an adequate extent under the supervision of the Superintendent.

- 1) As requested by the Superintendent or by the Special Education Director, serve as a Point of Contact for parents of special needs students at the Elementary school.
- 2) Assist the preschool teacher(s) with completing all IEP paperwork and maintaining procedural and legal compliance.
- 3) Attend additional IEP meetings by request as a special education liaison to assist students, guardians, and staff with communication and solutions that promote student growth and success.
- 4) Support and assist the Special Education staff as needed, or as requested, to maintain legal compliance and to best serve special needs students. This will include suggesting and/or scheduling training for special education staff.
- 5) Maintain a documentation log of the above listed items to be turned in at the end of the year which will include dates, and title of meetings or trainings.
- 6) A summative evaluation will be a rating of 'Effective' or 'Highly Effective' to qualify for performance pay funds. The 4 ratings are 'Ineffective', 'Developing', 'Effective', and 'Highly Effective'.
- 7) 10 CEUs continuing certification shall be earned during the year as a professional development requirement.

The evaluation of the progress towards completion of this plan will be documented and awarded at the end of each semester.

**B. Discussion and Possible Action to Submit a Vote for the Arizona School Boards Association  
Additional Bylaw Regarding Executive Board Representation**

The Board will discuss, consider and give direction on voting on one bylaw change proposal from the Arizona School Boards Association. This bylaw proposal by the ASBA Board of Directors must be approved by two-thirds of the ASBA member boards to be effective. After discussion, the Board will vote to give direction to the Superintendent or designee to vote in the manner the board has approved. The rationale below explains the bylaw being proposed.

**C. Approve Changes to Policies GCH, IMB, JLCB and Regulations GBGB-R, JLCB-R  
(Second Reading)**

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# POLICY SERVICES ADVISORY

**Volume 33, Number 4**

**October 2021**

Policy Advisory No. 712..... GBGB-R — Staff Personal Security and Safety

Policy Advisory No. 713.....Policy GCH — Professional / Support Staff  
Orientation and Training

Policy Advisory No. 714 .....Policy IMB – Teaching About Controversial /  
Sensitive Issues

Policy Advisory No. 715.....Policy JLCB — Immunizations of Students  
Regulation JLCB-R — Immunizations of Students

## **POLICY ADVISORY DISCUSSION**

These Policy Advisories are released in response to a recent ruling by Maricopa County Superior Court Judge Katherine Cooper that parts of House Bill 2898 are unconstitutional and void. Although this ruling came from a Maricopa County judge, it is legally effective throughout the state.

Policy Services has determined that Districts and Charter Schools may rescind Policy Advisory 700 if adopted or, if not yet adopted, eliminate this PA from Governing Board or Governing Body consideration. Additionally, there is language in Policy Advisories 687, 690, and 708 that came from HB2898 that should be rescinded or eliminated from consideration as appropriate for the same reasons. Please note that while PA 700 should be rescinded or eliminated in its entirety, PAs 687, 690, and 708 are only changed in part, as described herein.

The Policy Alert included in Policy Advisories Volume 33, Number 3, July 2021 addressed a change made to A.R.S. 35-212 and included a reference to A.R.S. 15-717.02. This language is from sections of HB2898 that were ruled unconstitutional and can be disregarded.

Should there be additional court action in the future that reinstates these laws, Policy Services will re-issue these Policy Advisories under new numbers to avoid further confusion.

*Note:* This material is written for informational<sup>18</sup> purposes only, and not as legal advice. You may wish to consult an attorney for further explanation.



**Policy Advisory No. 713**

**Policy GCH — Professional / Support Staff  
Orientation and Training**

This Policy Advisory updates Policy Advisory 690.

House Bill 2906 has added statute A.R.S. 41-1494 which states, in part, that a political subdivision, including school districts and charter schools, may not require an employee to engage in and shall not use public monies for training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex. This does not preclude any training on sexual harassment.

Blame or judgment on the basis of race, ethnicity or sex is defined in the statute by seven (7) concepts.

The statutory reference to A.R.S. 15-717.02 in the Policy is replaced by a reference to A.R.S. 41-1494. The last paragraph of the Policy is removed, as the statutory language upon which it is based has been ruled unconstitutional.

**Policy Advisory No. 714**

**Policy IMB – Teaching About Controversial /  
Sensitive Issues**

This Policy Advisory updates Policy Advisory 700.

House Bill 2898 added A.R.S. 15-717.02, which states that a teacher, administrator or other employee of a school district, charter school or state agency who is involved with students and teachers in grades preschool through twelve may not use public monies for instruction that presents any form of blame or judgment on the basis of race, ethnicity or sex. This language is added to Policy IMB.

The Arizona Department of Education issued a release on “Understanding A.R.S. 15-717.02 regarding ‘prohibited instruction’ and its impact on teaching the History and Social Studies Standards” in July 2021. This may be accessed at the following site:

<https://www.azed.gov/sites/default/files/2021/07/Teacher%20Guidance%20for%20ARS%2015-717.02-%207.22.21%20.pdf>

All language that was added to Policy IMB from A.R.S. 15-717.02 is now removed, as HB2898 has been ruled unconstitutional.

**Policy Advisory No. 715**

**Policy JLCB— Immunization of Students  
Regulation JLCB-R— Immunization of Students**

This Policy Advisory updates Policy Advisory 708.

House Bill 2898 enacted a new statute, A.R.S. 15-342.05, which prohibits school districts and charter schools from requiring face coverings for students and staff during school hours and on school property and provides that a school district or charter school may not require a student or teacher to receive a vaccine for Covid-19 or to wear a face covering to participate in in-person instruction. Appropriate changes have been made in Policy JLCB and Regulation JLCB-R. Exhibit JLCB-E has been updated to include the 2021-2022 requirements.

The language added to JLCB and JLCB-R that was based on A.R.S. 15-342.05 is now removed. The recommended changes to JLCB-E made in PA 708 are not affected by the court ruling, and they remain. JLCB-E was updated to include the 2021-2022 requirements as indicated in the Arizona Guide to Immunizations Required for Entry and as stated in Arizona Administrative Code, R9-6-702, Table 7.1 (B) and Table 7.2.

=====

If you have any questions, call Policy Services at (602) 254-1100. Ask for Chris Thomas, General Counsel/Associate Executive Director; Dr. Terry Rowles, Assistant Director; Steve Highlen, Senior Policy Consultant; or David DeCabooter, Policy Consultant/Staff Attorney. Our e-mail addresses are, respectively, [cthomas@azsba.org], [trowles@azsba.org], [shighlen@azsba.org] and [ddecabooter@azsba.org]. You may also fax information to (602) 254-1177.

**Note: This material is written for informational purposes only, and not as legal advice. You may wish to review the policy references and consult an attorney for further explanation**

**GBGB-R ©**

**REGULATION**

**STAFF PERSONAL SECURITY  
AND SAFETY**

**Threats**

Any employee who is threatened with harm by an individual or a group while carrying out assigned duties shall immediately notify the school principal or supervisor. The principal or supervisor shall then immediately notify the Superintendent's office of the threat and together they shall take immediate steps in cooperation with the employee to provide every reasonable precaution for the employee's safety. Precautionary steps, including any advisable legal action, shall be reported to the Superintendent's office at the earliest possible time.

**Eye Protective Devices**

Every student, teacher, and visitor in public schools shall wear appropriate eye protective ware while participating in or when observing vocational, technical, industrial arts, art, or laboratory science activities involving exposure to:

- A. Molten metals or other molten materials.
- B. Cutting, shaping, and grinding of materials.
- C. Heat treatment, tempering, or kiln firing of any metal or other materials.
- D. Welding fabrication processes.
- E. Explosive materials.
- F. Caustic solutions.
- G. Radiation materials.

The Board shall equip the schools with eye protective ware.

Schools may receive and expend federal, state, and local monies to provide eye protective devices.

For purposes of this procedure, *eye protective ware* means devices meeting the standards of the U.S.A. Standard Safety Code for head, eye, and respiratory protection, Z21-1959, and subsequent revisions thereof, approved by the United States of America Standards Institute, Inc.

**Cloth Face Coverings / Covid-19 Vaccine**

~~As stipulated in A.R.S. 15-342.05, a school district or charter school may not require a student or teacher to receive a vaccine for Covid-19 or to wear a face covering to participate in in-person instruction.~~

*Note:* This material is written for informational<sup>22</sup> purposes only, and not as legal advice. You may wish to consult an attorney for further explanation.

**GCH ©  
PROFESSIONAL / SUPPORT STAFF  
ORIENTATION AND TRAINING**

The Superintendent will establish a program to provide orientation for all new District employees. At a minimum, this program will cover the following items:

- A. Goals, objectives, and programs of the District.
- B. Personnel policies.
- C. Sexual harassment.
- D. Terms of employment.
- E. General disciplinary rules and procedures.
- F. Salary and fringe-benefit plans.
- G. Self-improvement opportunities.
- H. The evaluation program and name(s) of evaluator(s).
- I. Handling of body fluids.
- J. Child abuse reporting responsibilities.

School districts and charter schools may not require an employee to engage in and shall not use public monies for training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity, or sex. This does not preclude any training on sexual harassment or lessons on recognizing and reporting abuse.

“Blame or judgment on the basis of race, ethnicity or sex” is defined in A.R.S. ~~15-717.02~~ [41-1494](#) by seven (7) concepts.

~~For each violation of A.R.S. 15-717.02, including subsequent or continued violations, a court may impose a civil penalty not to exceed five thousand dollars (\$5,000) per school district, charter school or state agency where the violation occurs.~~

Adopted: <-- z2AdoptionDate -->

**LEGAL REF.:**

A.R.S.  
15-153  
15-341  
41-1494

**CROSS REF.:**

IHAMD - Instruction and Training in Suicide Prevention

*Note:* This material is written for informational purposes only, and not as legal advice. You may wish to consult an attorney for further explanation.

**IMB ©  
TEACHING ABOUT  
CONTROVERSIAL / SENSITIVE ISSUES**

Democratic tradition often involves dealing with controversial issues. Knowledge and understanding of such issues are an indispensable part of education.

The teacher holds a position of authority and respect in the classroom and community, and by virtue of that position has great influence in the formation of the values of all students. It must be clear that personal views are not a part of the instructional program and must be tempered by the responsibility to maintain professionalism.

To ensure that controversial issues are dealt with fairly and objectively, and with instruction as their goal, such issues may be a part of the curriculum as long as the following policies are observed:

- A. Teachers should instruct students in the principles and techniques of the scientific method and provide opportunities for practice in applying established facts to specific problems.
- B. Teachers should seek to develop in students the ideals of truth and honesty.
- C. All personnel should seek to create an atmosphere in which difference of opinion can be voiced without fear and hostility and with mutual respect for all viewpoints.
- D. Constitutional guarantees of due process and freedom of speech will continue to be observed as to students and teachers alike when they are involved in a controversial issue.
- E. Teachers should encourage the suspension of judgment and conclusions until all relevant and significant facts have been assembled, critically examined, and checked for accuracy.
- F. Teachers should seek to develop in students a sense of responsibility for their beliefs, opinions, attitudes, and actions.
- G. Teachers should place major emphasis upon "why" and "how" to think rather than "what" to think.

~~A teacher, administrator or other employee of a school district or charter school who is involved with students and teachers in grades preschool through the twelfth grade (PK-12) may not use public monies for instruction that presents any form of blame or judgment on the basis of race, ethnicity, or sex.~~

~~A teacher, administrator or other employee of a school district or charter school who is involved with students and teachers in grades preschool through the twelfth grade (PK-12) may not allow instruction or make part of a course the following concepts:~~

~~A. One race, ethnic group or sex is inherently morally or intellectually superior to another race, ethnic group or sex.~~

~~B. An individual, by virtue of the individual's race, ethnicity or sex, is inherently racist, sexist or oppressive, whether consciously or unconsciously.~~

~~C. An individual should be invidiously discriminated against or receive adverse treatment solely or partly because of the individual's race, ethnicity or sex.~~

~~D. An individual's moral character is determined by the individual's race, ethnicity or sex.~~

~~E. An individual, by virtue of the individual's race, ethnicity or sex, bears responsibility for actions committed by other members of the same race, ethnic group or sex.~~

~~F. An individual should feel discomfort, guilt, anguish or any other form of psychological distress because of the individual's race, ethnicity or sex.~~

~~G. Meritocracy or traits such as a hard work ethic are racist or sexist or were created by members of a particular race, ethnic group or sex to oppress members of another race, ethnic group or sex.~~

Adopted: <-- z2AdoptionDate -->

**JLCB ©  
IMMUNIZATIONS OF STUDENTS**

Subject to the exemptions as provided by law, immunization against diphtheria, tetanus, pertussis, poliomyelitis, rubeola (measles), mumps, rubella (German measles), hepatitis B, haemophilus influenzae b (Hib), and varicella is required for attendance of a student in a District school. A student's immunization record must be submitted prior to attendance, although a student may be conditionally enrolled provided that necessary immunizations have been initiated and a schedule has been established for completion of the required immunizations. The school administrator shall review the school immunization record at least twice each school year until the pupil receives all of the required immunizations. A student shall not be allowed to attend school without submitting documentary proof of compliance to the school administrator unless the student is exempted from immunization. On enrollment, the school administrator shall suspend that student if the administrator does not have documentary proof of compliance and the student is not exempted from immunization. A student who fails to comply with the immunization schedule shall be suspended from school attendance until documentary proof of compliance is provided to the school administrator, except that a homeless student shall not be suspended from attendance until the fifth (5th) calendar day after enrollment.

Any student with serologic confirmation of the presence of specific antibodies against a vaccine-preventable disease shall not be subject to immunization against that disease as a condition for attending school.

~~As stipulated in A.R.S. 15-342.05, a school district or charter school may not require a student or teacher to receive a vaccine for Covid-19 or to wear a face covering to participate in in-person instruction.~~

The District will cooperate with county and state health departments in programs of immunization. Parents' permission must be secured before a student may participate in such immunization projects.

Adopted: <-- z2AdoptionDate -->

LEGAL REF.:

A.R.S.

15-342.05

15-871

15-872

15-873

15-874

A.A.C.

R9-6-203

*Note:* This material is written for informational purposes only, and not as legal advice. You may wish to consult an attorney for further explanation.

R9-6-313  
R9-6-350  
R9-6-353  
R9-6-356  
R9-6-365  
R9-6-368  
R9-6-372  
R9-6-388  
R9-6-701 through 707

**JLCB-R ©**

**REGULATION**

**IMMUNIZATIONS OF STUDENTS**

Subject to the exemptions in A.R.S. 15-873, immunization against each of the following diseases is required for attendance of a child in any school:

- A. Diphtheria;
- B. Tetanus;
- C. Hepatitis B;
- D. Pertussis;
- E. Poliomyelitis;
- F. Measles (rubeola);
- G. Mumps;
- H. Rubella (German measles);
- I. *Haemophilus influenzae* type b (Hib);
- J. Varicella; and
- K. Meningococcal.
  
- L. Hepatitis A, for a child one (1) through five (5) years of age in a day care program in Maricopa County.

Unless exempt in accord with R9-6-706, the schedule for compliance with the requirement for immunization against varicella is:

Grade student entering	as of September 1,
Kindergarten (K) through grade four (4) and grades seven (7) through ten (10)	2008
Kindergarten (K) through grade five (5) and grades seven (7) through eleven (11)	2009
Kindergarten (K) through grade twelve (12)	2010

Unless exempt in accord with R9-6-706, the schedule for compliance for a student eleven (11) years or older who has not previously received the meningococcal vaccine is:

Grade student entering	as of September 1,
Grade six (6)	2008
Grades six (6) and seven (7)	2009
Grades six (6) through eight (8)	2010
Grades six (6) through nine (9)	2011
Grades six (6) through ten (10)	2012
Grades six (6) through eleven (11)	2013
Grades six (6) through twelve (12)	2014

The preceding schedules will remain in effect unless the school is notified by the Arizona Department of Health Services of a modification to one (1) or both of the schedules.

A child is in compliance with the requirements if the child has met the criteria of the appropriate immunization schedule as recommended by the Department of Health Services or is actively in the process of meeting such criteria as evidenced by having received one (1) dose of each of the required immunizations and has established a schedule for completion of the required immunizations.

A child shall not be allowed to attend school without submitting documentary proof to the school administrator unless the child is exempted from immunization pursuant to section 15-873. Upon enrollment, schools shall forbid attendance or (suspend) a student not meeting the requirements for immunization or exemption from immunization. Homeless students shall be referred to the liaison for homeless students and shall not be required to comply with the immunization requirements until the fifth (5th) calendar day after enrollment.

The admitting official shall deem the student to be in compliance with the requirements of this regulation if:

- A. The student's immunization record complies with the documentary proof required pursuant to A.A.C. R9-6-704, and the student has received or is in the process of receiving all required age-specific vaccine doses according to Exhibit JLCB-E; or
- B. An exemption from immunization is submitted in accordance with the procedures set forth in R9-6-706.

When the student's immunization record is not available at the time of enrollment, the school shall provide the responsible person with the following:

- A. Notification of the lack of compliance with the immunization requirements;
- B. A written notice that specifies when the required doses shall be completed, notes the availability of exemptions to immunization, and refers the student to a physician or local health department for review of the student's immunization history and provision of immunizations as needed; and
- C. Notification that the student is suspended in accordance with 15-872 until an acceptable immunization record that meets the standards of documentary proof is presented to the school.

When immunization records are presented that do not comply with the standards for documentary proof, the school shall:

- A. Notify the responsible person of the lack of compliance with the immunization requirements; and
- B. Obtain a review and verification of the student's immunization record by or in consultation with a certificated school nurse, a public health nurse, a licensed physician, or an authorized representative of a local health department.

If the admitting official is unable to verify the accuracy of the student's immunization record pursuant to the preceding paragraph, the school shall provide to the responsible person:

- A. A written referral to a physician or local health department for further review of the student's immunization history and provision of immunizations as needed; and
- B. Notification that the student is suspended until an immunization record that meets the standards of documentary proof is presented to the school.

Each school shall maintain a current list of students without evidence of immunization or immunity to the diseases listed in R9-6-702, which shall include the names of all students with incomplete immunization histories or exemptions for personal or medical reasons where evidence of immunity has not been provided.

Schools shall forbid attendance by a student lacking proof of immunization or immunity against any of the immunization-preventable diseases as determined by the State Department of Health Services or local health department during periods of outbreaks of the diseases for which immunity is lacking. The announcement of an outbreak of disease and the length of the period of communicability shall be as declared by the state or local health department.

## Standards for Documentary Proof

Proof of immunity to the diseases listed in R9-6-702 shall be documented in accordance with R9-6-704.

Immunization records or statements of immunity shall be signed by a physician or authorized representative of a health agency.

## Exemptions to Immunizations

~~As stipulated in A.R.S. 15-342.05, a school district or charter school may not require a student or teacher to receive a vaccine for Covid-19 or to wear a face covering to participate in in-person instruction.~~

Students who have reached their fifth (5th) birthday shall be exempt from the Hib immunization requirement.

Students who have reached their seventh (7th) birthday shall be exempt from the pertussis immunization requirement.

Any student with laboratory evidence of immunity shall not be subject to immunization against that disease as a condition for attending school, provided that such evidence is submitted to the school.

In accordance with A.R.S. 15-873, documentary proof is not required for a student to be admitted to school if one (1) of the following occurs:

A. The parent or guardian of the student submits a signed statement to the school administrator stating that the parent or guardian has received information about immunizations provided by the Department of Health Services, understands the risks and benefits of immunizations and the potential risks of nonimmunization, and that, due to personal beliefs, the parent or guardian does not consent to the immunization of the student.

B. The school administrator receives written certification, signed by the parent or guardian and by a physician, that states that one (1) or more of the required immunizations may be detrimental to the student's health and indicates the specific nature and probable duration of the medical condition or circumstance that precludes immunization.

An exemption pursuant to the preceding subparagraph is valid only during the duration of the circumstance or condition that precludes immunization.

If a medical exemption is granted in accordance with A.R.S. 15-873, it shall be defined by the grantor as either permanent or temporary.

- A. A permanent medical exemption may be provided for one (1) or more vaccines.
- B. A temporary medical exemption shall specify the date of its termination. A student with a temporary medical exemption shall be allowed to attend school on the condition that the required immunizations are obtained at the termination of the exemption. The responsible person shall be notified of the date by which the student shall complete all required immunizations.

Any exemption granted in accordance with A.R.S. 15-873 shall be recorded on the school immunization record in the student's permanent file.

Students who lack documentary proof of immunization shall not attend school during outbreak periods of communicable immunization-preventable diseases as determined by the Department of Health Services or local health department. The Department of Health Services or local health department shall transmit notice of this determination to the school administrator responsible for the exclusion of the students.

### **Reporting Communicable Diseases**

The administrator of a school shall submit by telephone a report to the local health department any case, suspected case, or outbreak of a communicable disease as follows:

- A. Within twenty-four (24) hours after detecting a case or suspected case of:
  - 1. Cryptosporidiosis
  - 2. Enterohemorrhagic Escherichia coli
  - 3. Haemophilus influenzae: invasive disease
  - 4. Hepatitis A
  - 5. Measles
  - 6. Meningococcal invasive disease
  - 7. Mumps
  - 8. Pertussis (whooping cough)
  - 9. Rubella (German measles)
  - 10. Salmonellosis
  - 11. Shigellosis
- B. Within twenty-four (24) hours after detecting an outbreak of:
  - 1. Conjunctivitis: acute
  - 2. Diarrhea, nausea, or vomiting

3. Scabies
4. Streptococcal Group A infection

C. Within five (5) working days after detecting a case or a suspected case of:

1. Campylobacteriosis
2. Varicella (chicken pox)

The report shall include:

- A. The name and address of the school
- B. The number of individuals having the disease, infestation, or symptoms
- C. The date and time the disease or infestation was detected, or the symptoms began
- D. The number of rooms, grades, or classes affected and the name of each
- E. Information about each affected individual to include:
  1. Name,
  2. Date of birth or age,
  3. Residential address and telephone number,
  4. Whether the individual is a staff member, student, child in care, or a resident,
- F. The number of individuals attending or residing in the school, and
- G. The name, address, and telephone number of the person making the report.

### **Other Required Reports**

By November 15 of each year, the Superintendent shall submit a report on the immunization status of students to the state or local health department on a form provided by the Department.

Each Superintendent of a school whose nurses are authorized to administer vaccines or immunizing agents shall submit monthly reports to the county health department in accordance with the procedures set forth in R9-6-707. Reports are due by the fifth (5th) day of the following month.

An immunization record shall be maintained for each student in the school. Each immunization record shall include the following information:

- A. Name of the student;
- B. Date of birth;
- C. The date of the student's admission to the school;
- D. The month and year in which each vaccine was received, except for measles, mumps, and rubella, for which the day, month, and year are required;
- E. The type of immunizing agents administered to the student;
- F. The date each dose of immunizing agent is administered to the student; and
- G. The established schedule for completion of immunizations if the student is admitted to or allowed to continue to attend a school pursuant to section 15-872, subsection E.

By November 15 of each year, each administrator of a public-school-based day care program or preschool shall submit a report to the state or local health department on a form provided by the Department.

A school shall transfer an immunization record and signed requests for provision of immunizations, including any revocations thereof, with the mandatory permanent student record and provide at no charge, on request, a copy of the immunization record to the parent or guardian of the pupil.

**Section 41-1494 - Training, orientation and therapy; blame and judgment; prohibition; political subdivisions; annual report; definition**

A. This state, a state agency or a city, town, county or political subdivision of this state may not require an employee to engage in training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex. this subsection does not preclude any training on sexual harassment.

B. This state, a state agency or a city, town, county or political subdivision of this state may not use public monies for training, orientation or therapy that presents any form of blame or judgment on the basis of race, ethnicity or sex. this subsection does not preclude any training on sexual harassment.

C. On or before December 1 of each year the department of administration shall submit a report that includes state agencies in compliance with this section to the governor, the president of the senate and the speaker of the house of representatives and submit a copy of this report to the secretary of state.

d. "blame or judgment on the basis of race, ethnicity or sex" means the following concepts:

1. One race, ethnic group or sex is inherently morally or intellectually superior to another race, ethnic group or sex.
2. An individual, by virtue of the individual's race, ethnicity or sex, is inherently racist, sexist or oppressive, whether consciously or unconsciously.
3. An individual should be invidiously discriminated against or receive adverse treatment solely or partly because of the individual's race, ethnicity or sex.
4. An individual's moral character is determined by the individual's race, ethnicity or sex.
5. An individual, by virtue of the individual's race, ethnicity or sex, bears responsibility for actions committed by other members of the same race, ethnic group or sex.
6. An individual should feel discomfort, guilt, anguish or any other form of psychological distress because of the individual's race, ethnicity or sex.
7. Meritocracy or traits such as a hard work ethic are racist or sexist or were created by members of a particular race, ethnic group or sex to oppress members of another race, ethnic group or sex.

A.R.S. § 41-1494



**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
JOSEPH CITY, ARIZONA**

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

**FISCAL YEAR ENDED JUNE 30, 2020**

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## Independent Auditors' Report

Governing Board of  
Joseph City Unified School District No. 2  
Joseph City, Arizona

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Joseph City Unified School District No. 2, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

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 year ended June 30, 2020, 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.

## Other Matters

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis beginning on page 5, the budgetary comparison information beginning on page 57, the pension information beginning on page 60, and the related note to required supplementary information on page 64 be presented to supplement the basic financial statements. Such information, 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 September 28, 2021, 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.



*Certified Public Accountants*  
*Mesa, Arizona*

September 28, 2021

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

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**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

As management of the Joseph City Unified School District No. 2 (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, 2020. 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, 2020, were as follows:

- As of June 30, 2020, the District's total net position was \$4.6 million. This is an increase of \$352,521, or 8.3 percent, from fiscal year 2018-19.
- General revenues of \$4.7 million accounted for 73.6 percent of all fiscal year 2019-20 revenues. Program specific revenues in the form of charges for services, operating grants and contributions, and capital grants and contributions of \$1.7 million accounted for 26.4 percent of total fiscal year 2019-20 revenues.
- The District had \$6.0 million in expenses related to governmental activities; of which \$1.7 million of these expenses were offset by program specific charges for services, operating grants and contributions, and capital grants and contributions. General revenues of \$4.7 million provided resources for most of the remaining \$4.3 million of District costs. The excess between the general revenues and remaining District costs resulted in net position increasing \$352,521.
- The General Fund reported \$4.5 million in revenues and \$4.3 million in expenditures. The revenues consisted primarily of \$4.3 million in property taxes and \$68,727 in state aid and grants. As a result of annual activity, the General Fund's fund balance increased \$152,726.
- The District's net capital assets increased \$175 as a result of activity throughout the year. For additional information regarding the capital assets, see financial statement note 5.
- The District made \$29,212 of principal payments on an outstanding capital lease, reducing the principal balance to \$95,540 as of June 30, 2020. For further information regarding leases, see financial statement note 10.
- The District made a \$83,900 principal payment on an outstanding guaranteed energy savings contract, reducing the principal balance to \$1.1 million as of June 30, 2020. For further information regarding guaranteed energy savings contracts, see financial statement note 11.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**FINANCIAL HIGHLIGHTS**

- In response to the events surrounding the global pandemic of COVID-19, on March 30, 2020, the Governor of the State of Arizona, along with the Superintendent of Public Instruction, announced the closing of all Arizona school districts for the remainder of the fiscal year ending June 30, 2020. The District's essential operations continued to ensure staff payroll and other obligations were paid as required.
- On March 27, 2020, the U.S. Government passed the Coronavirus Aid Relief, and Economic Security (CARES) Act in response of the COVID-19 pandemic. In part, the Education Stabilization Fund (ESF) provides \$30.74 billion in dedicated funds to support education relief and recovery efforts. Arizona was projected to receive \$626 million in ESF, and \$227 million went to the Elementary and Secondary Schools Emergency Relief (ESSER) Fund. Administered by the Arizona Department of Education, the ESSER was designated to support K-12 schools to respond to the COVID-19 pandemic and the declaration of statewide school closures. The District was awarded \$142,995 from the ESSER Fund based on the projected final eligible LEA cohort and spent none of the allocated amount for the fiscal year ending June 30, 2020.

**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.

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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**OVERVIEW OF FINANCIAL STATEMENTS**

**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 in the following categories: governmental funds and fiduciary 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.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the District's own programs.

**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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table presents a comparison of the District's net position for the fiscal years ended June 30, 2020 and 2019.

	As of <u>June 30, 2020</u>	As of <u>June 30, 2019</u>	<u>Change</u>	<u>Percent Change</u>
<b>ASSETS</b>				
Current assets	\$ 729,249	\$ 481,937	\$ 247,312	51.3 %
Capital assets	<u>8,933,001</u>	<u>8,932,826</u>	<u>175</u>	<u>- %</u>
<b>Total assets</b>	<u>9,662,250</u>	<u>9,414,763</u>	<u>247,487</u>	<u>2.6 %</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	<u>387,134</u>	<u>508,921</u>	<u>(121,787)</u>	<u>(23.9)%</u>
<b>LIABILITIES</b>				
Current liabilities	84,763	144,494	(59,731)	(41.3)%
Noncurrent liabilities	<u>5,075,868</u>	<u>5,056,900</u>	<u>18,968</u>	<u>0.4 %</u>
<b>Total liabilities</b>	<u>5,160,631</u>	<u>5,201,394</u>	<u>(40,763)</u>	<u>(0.8)%</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	<u>268,601</u>	<u>454,659</u>	<u>(186,058)</u>	<u>(40.9)%</u>
<b>NET POSITION</b>				
Net investment in capital assets	7,725,747	7,612,460	113,287	1.5 %
Restricted	493,586	257,688	235,898	91.5 %
Unrestricted	<u>(3,599,181)</u>	<u>(3,602,517)</u>	<u>3,336</u>	<u>0.1 %</u>
<b>Total net position</b>	<u>\$ 4,620,152</u>	<u>\$ 4,267,631</u>	<u>\$ 352,521</u>	<u>8.3 %</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**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 \$4.6 million as of June 30, 2020. The following represents significant information regarding changes and balances:

- The District's current assets increased \$247,312 primarily due to an increase in cash and investments.
- The District had \$683,821 in additions and \$96,300 of deletions to capital assets that were offset by depreciation expense of \$683,646, resulting in an overall net increase in capital assets of \$175.
- Current liabilities decreased \$59,731 primarily due to a decrease in expenditures during the 60-day encumbrance period after year end as compared to the prior year.
- Noncurrent liabilities increased \$18,968, deferred outflows of resources decreased \$121,787, and deferred inflows of resources decreased \$186,058 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, \$7.7 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, \$493,586 of the District's net position represents resources that are subject to external restrictions. The remaining deficit balance of net position, \$3.6 million, is considered unrestricted. For additional information regarding net position, see financial statement note 1.Q.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

The following table presents a comparison of the changes in net position for the fiscal years ended June 30, 2020 and 2019.

	Fiscal Year Ended <u>June 30, 2020</u>	Fiscal Year Ended <u>June 30, 2019</u>	<u>Change</u>	<u>Percent Change</u>
<b>Revenues:</b>				
Program revenues:				
Charges for services	\$ 178,397	\$ 337,597	\$ (159,200)	(47.2)%
Operating grants and contributions	849,696	855,191	(5,495)	(0.6)%
Capital grants and contributions	653,161	108,010	545,151	504.7 %
General revenues:				
Taxes	4,580,212	4,541,637	38,575	0.8 %
State aid	89,485	82,270	7,215	8.8 %
Payments in lieu of taxes	6,548	6,747	(199)	(2.9)%
Investment income	11,860	7,416	4,444	59.9 %
Miscellaneous	1,007	-	1,007	100.0 %
<b>Total revenues</b>	<u>6,370,366</u>	<u>5,938,868</u>	<u>431,498</u>	<u>7.3 %</u>
<b>Expenses:</b>				
Instruction	2,623,254	2,706,023	(82,769)	(3.1)%
Support services - students and staff	717,541	677,010	40,531	6.0 %
Support services - administration	664,525	741,023	(76,498)	(10.3)%
Operation and maintenance of plant	1,323,358	1,352,848	(29,490)	(2.2)%
Student transportation services	298,003	414,999	(116,996)	(28.2)%
Operation of non-instructional services	343,396	331,875	11,521	3.5 %
Interest on long-term debt	47,768	46,367	1,401	3.0 %
<b>Total expenses</b>	<u>6,017,845</u>	<u>6,270,145</u>	<u>(252,300)</u>	<u>(4.0)%</u>
<b>Change in net position</b>	352,521	(331,277)	683,798	206.4 %
<b>Beginning net position</b>	<u>4,267,631</u>	<u>4,598,908</u>	<u>(331,277)</u>	<u>(7.2)%</u>
<b>Ending net position</b>	<u>\$ 4,620,152</u>	<u>\$ 4,267,631</u>	<u>\$ 352,521</u>	<u>8.3 %</u>

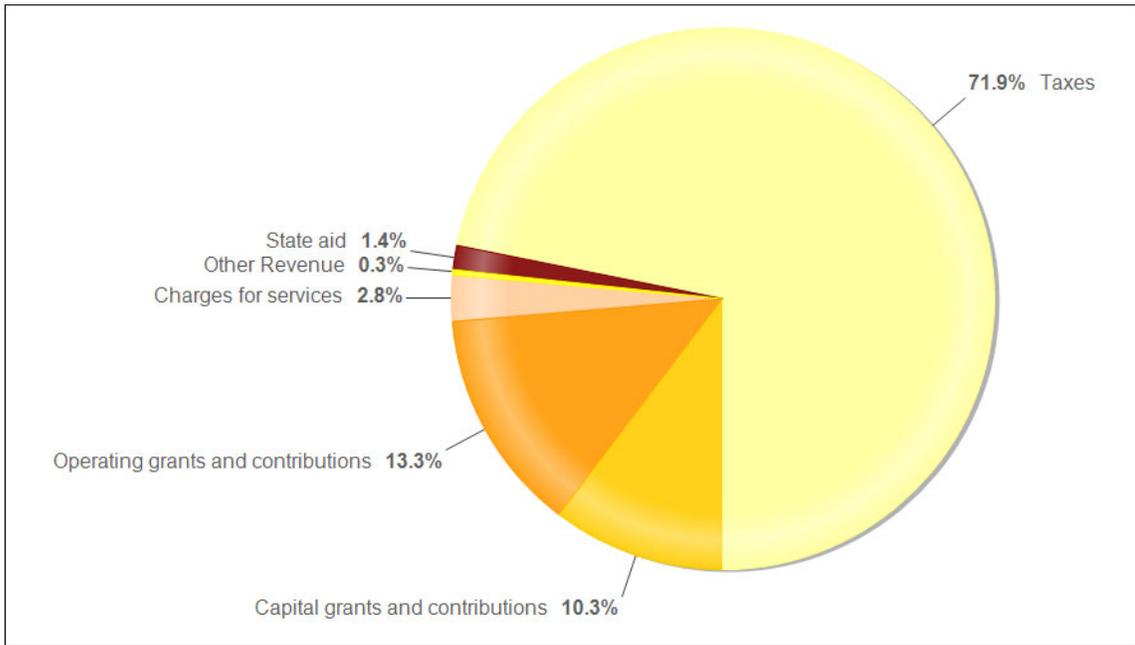
Net position increased \$352,521; the following represents significant information regarding changes:

- Revenues increased \$431,498 primarily due to an increase in capital grants and contributions.
- Expenses decreased \$252,300 primarily due to a decrease in instruction and operation and maintenance of plant and instruction expenses.

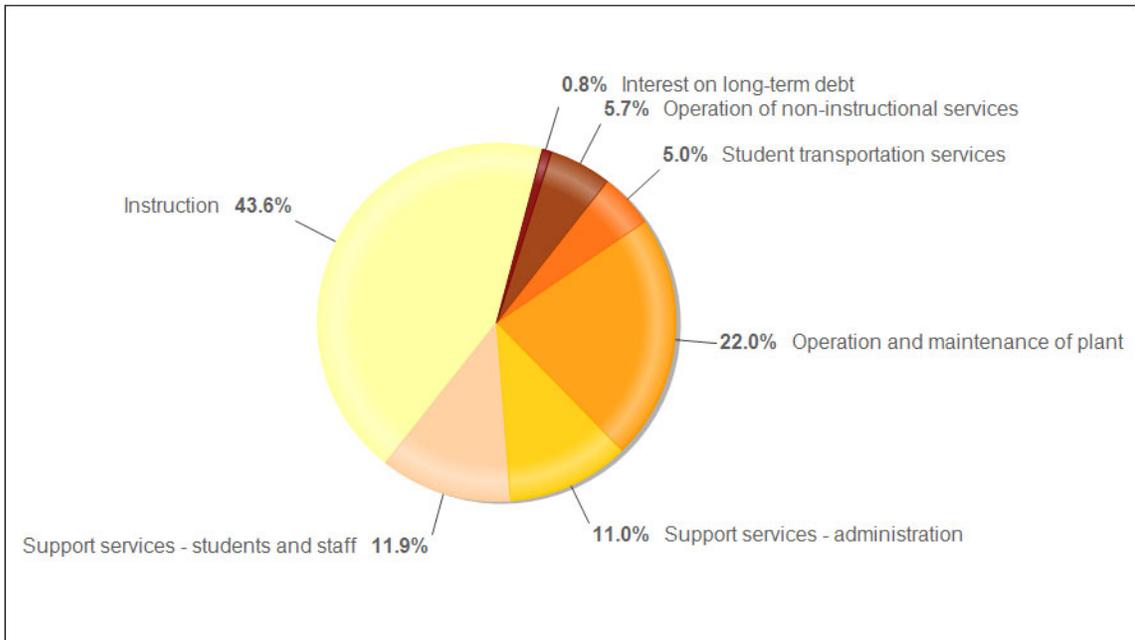
**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

**District-Wide Revenues**  
FY 2019-20



**District-Wide Expenses**  
FY 2019-20

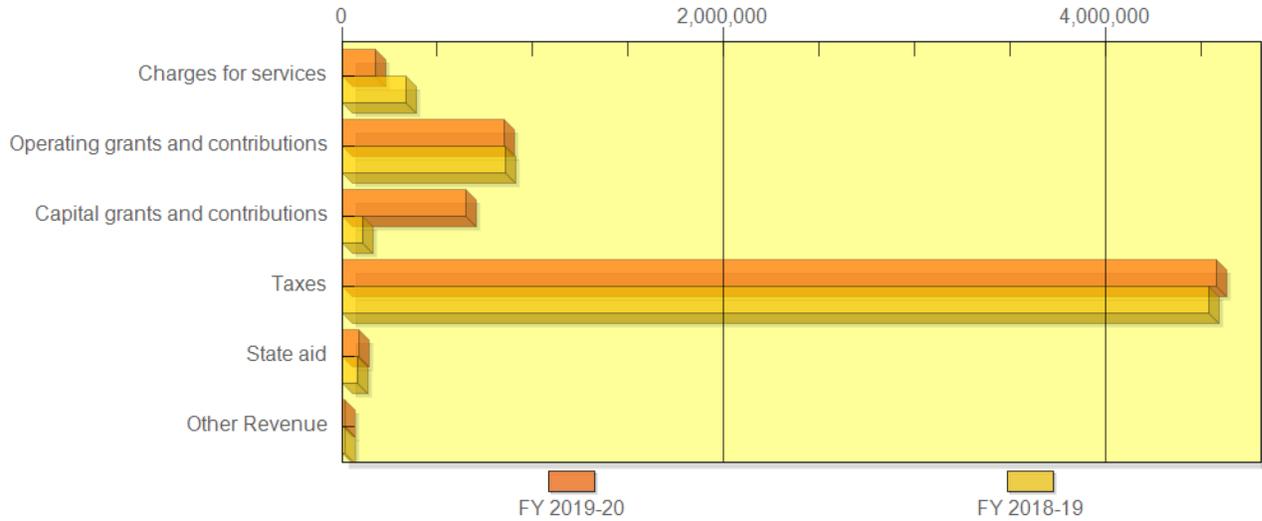


**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

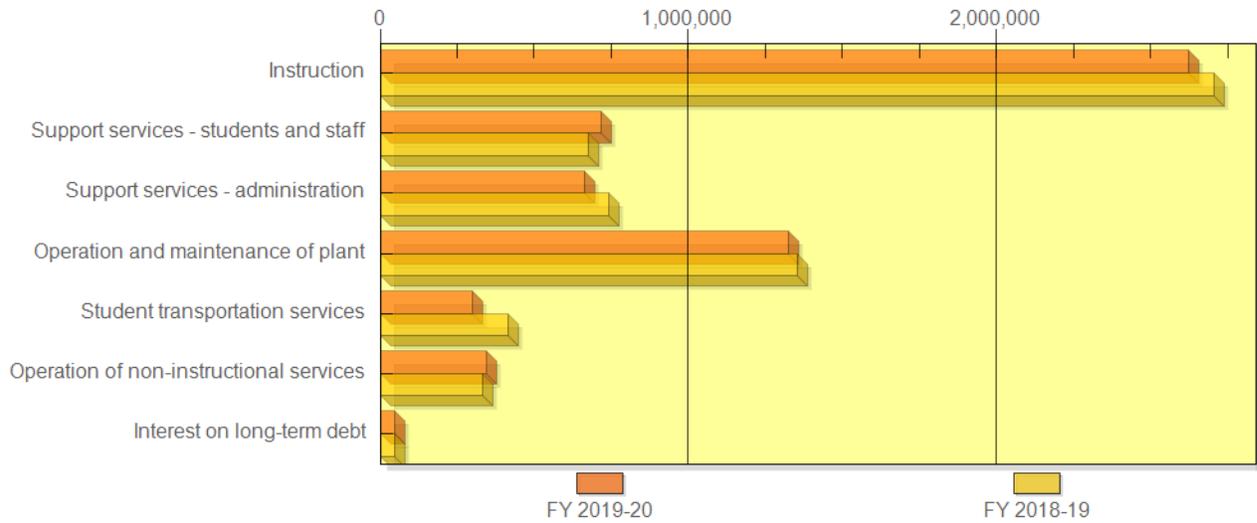
**District-Wide Revenues**

2 Year Comparison



**District-Wide Expenses**

2 Year Comparison



**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**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, 2020 and 2019.

<b><u>Expense Function</u></b>	Net (Expense)	Net (Expense)	<b><u>Change</u></b>	Percent
	Revenue	Revenue		Change
	<u>June 30, 2020</u>	<u>June 30, 2019</u>		<u>Change</u>
Instruction	\$ (2,086,139)	\$ (2,080,981)	\$ (5,158)	(0.2)%
Support services - students and staff	(609,353)	(577,453)	(31,900)	(5.5)%
Support services - administration	(607,770)	(680,867)	73,097	10.7 %
Operation and maintenance of plant	(780,197)	(1,295,265)	515,068	39.8 %
Student transportation services	(188,003)	(410,351)	222,348	54.2 %
Operation of non-instructional services	(17,361)	121,937	(139,298)	(114.2)%
Interest on long-term debt	(47,768)	(46,367)	(1,401)	(3.0)%
<b>Total</b>	<b><u>\$ (4,336,591)</u></b>	<b><u>\$ (4,969,347)</u></b>	<b><u>\$ 632,756</u></b>	<b><u>12.7 %</u></b>

The net cost of services decreased \$632,756, or 12.7 percent, due to overall expenses decreasing \$252,300 while program revenues increased \$380,456. The following represents significant information regarding changes and balances:

- Program revenues of \$1.7 million subsidized the government-wide expenses.
- The remaining net costs of governmental activities of \$4.3 million were financed through general revenues.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**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.

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, 2020 and 2019.

<b>Fund</b>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>Percent Change</u>
General Fund	\$ 256,511	\$ 103,785	\$ 152,726	147.2 %
Classroom Site Fund	192,432	128,177	64,255	50.1 %
Adjacent Ways Fund	91,535	58,221	33,314	57.2 %
Building Renewal Fund	(73,863)	(57,716)	(16,147)	(28.0)%
Other Governmental Funds	143,844	73,538	70,306	95.6 %
Total	<u>\$ 610,459</u>	<u>\$ 306,005</u>	<u>\$ 304,454</u>	<u>99.5 %</u>

The total governmental fund balances were \$610,459 at June 30, 2020. It is not expected that the nature of the restrictions, commitments or other limitations on fund balances will significantly affect future operations. Overall governmental fund balance increased \$304,454. The following represents significant information regarding changes:

- The General Fund's fund balance increased \$152,726, or 147.2 percent, primarily due to a decrease in instructional expenditures in the current year. All of the General Fund's fund balance is unassigned which may serve as a useful measure of net resources available for spending at June 30, 2020.
- The Classroom Site Fund's fund balance increased \$64,255, or 50.1 percent, due to revenues exceeding expenditures in the current year.
- The Adjacent Ways Fund's fund balance increased \$33,314, or 57.2 percent, primarily due to a decrease in operation and maintenance of plant services in the current year.
- The Building Renewal Fund's fund balance decreased \$16,147, or 28.0 percent, due to expenditures exceeding revenues in the current year.
- The Other Governmental Funds' fund balance increased \$70,306, or 95.6 percent, due to revenues exceeding expenditures in the current year.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**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 updated 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 General Fund's adopted budget for the fiscal year ending June 30, 2020, was \$4.5 million. Over the course of the year, the District revised the General Fund annual expenditure budget to \$4.4 million to reflect a decrease in projected instruction expenditures.

The actual amounts expended in the General Fund were \$4.2 million, which was \$206,485, or 4.7 percent, less than the final budget. This difference was primarily due to student transportation expenditures being less than initially projected.

**CAPITAL ASSETS**

As of June 30, 2020, the District had invested \$8.9 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, 2020 and 2019.

<u>Governmental activities:</u>	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>Percent Change</u>
Land	\$ 22,800	\$ 22,800	\$ -	- %
Construction in progress	482,333	35,068	447,265	1,275.4 %
Land improvements	1,864,697	1,864,697	-	- %
Buildings and improvements	20,478,419	20,407,829	70,590	0.3 %
Vehicles, furniture, and equipment	<u>3,796,542</u>	<u>3,726,876</u>	<u>69,666</u>	<u>1.9 %</u>
Total	<u>26,644,791</u>	<u>26,057,270</u>	<u>587,521</u>	<u>2.3 %</u>
Less: accumulated depreciation	<u>(17,711,790)</u>	<u>(17,124,444)</u>	<u>(587,346)</u>	<u>(3.4)%</u>
Capital assets, net	<u>\$ 8,933,001</u>	<u>\$ 8,932,826</u>	<u>\$ 175</u>	<u>- %</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 5.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

**LONG-TERM LIABILITIES**

The following schedule presents a comparison of long-term liabilities for the years ended June 30, 2020 and 2019.

	<u>June 30, 2020</u>	<u>June 30, 2019</u>	<u>Change</u>	<u>Percent Change</u>
Net pension liability	\$ 3,784,758	\$ 3,658,162	\$ 126,596	3.5 %
Capital lease	95,540	124,752	(29,212)	(23.4)%
Guaranteed energy savings contract	1,111,714	1,195,614	(83,900)	(7.0)%
Compensated absences	83,856	78,372	5,484	7.0 %
Total	<u>\$ 5,075,868</u>	<u>\$ 5,056,900</u>	<u>\$ 18,968</u>	<u>0.4 %</u>

Overall long-term liability balance increased \$18,968. The following represents significant information regarding changes:

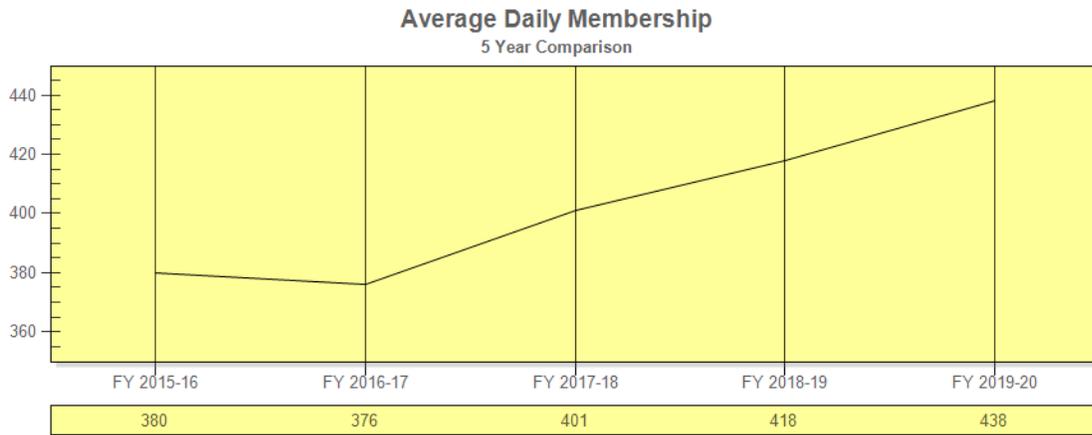
- Net pension liability increased \$126,596, or 3.5 percent, due to the results of investment activity and participant activity when compared to anticipated results as determined by the Arizona State Retirement System's actuaries.
- The capital lease decreased \$29,212, or 23.4 percent, due to the payment of principal as required by the capital lease agreements.
- The guaranteed energy savings contract decreased \$83,900, or 7.0 percent, due to the payment of principal as required by the guaranteed energy savings lease agreements.
- Compensated absences increased \$5,484, or 7.0 percent, due to the accrual and use of available leave balances by employees.

For additional information regarding long-term liabilities, see financial statement note 8.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)  
JUNE 30, 2020**

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

Many factors were considered by the District's administration during the process of developing the General Fund's budget for the next fiscal year (fiscal year 2020-21). The primary factors considered in developing fiscal year 2020-21's budget were the District's student population and related employee salaries. This chart provides the District's average daily membership over the past five years.



**100 Day Count**

Also considered in the development of the budget is the local economy and inflation of the surrounding area. Amounts available in the General Fund's fiscal year 2020-21 budget are \$5.0 million, an increase of 13.4 percent, which reflects the following:

- Available budget balance carryforward is \$206,485.
- Current year average daily membership is 438 and is expected to increase in the fiscal year 2020-21 school year.

**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, Joseph City Unified School District No. 2, 8176 North Westover, Joseph City, Arizona 86032.

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2020**

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Cash and investments	\$ 426,080
Property taxes receivable	38,546
Due from other governments	174,286
Inventories	90,337
Capital assets:	
Capital assets not being depreciated	505,133
Capital assets being depreciated, net	<u>8,427,868</u>
<b>Total assets</b>	<u>9,662,250</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows - pensions	<u>387,134</u>
<b>LIABILITIES</b>	
Accounts payable	42,801
Due to other governments	7,824
Accrued payroll and benefits	29,515
Advances from grantors	4,623
Noncurrent liabilities:	
Due within one year	127,803
Due in more than one year	<u>4,948,065</u>
<b>Total liabilities</b>	<u>5,160,631</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows - pensions	<u>268,601</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,725,747
Restricted for:	
Debt service	364
Capital outlay	147,699
Food service	2,248
Extracurricular activities tax credit	33,454
Career technical instruction	40,750
Voter approved initiatives	226,282
Other purposes	42,789
Unrestricted	<u>(3,599,181)</u>
<b>Total net position</b>	<u>\$ 4,620,152</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net</u>
		<u>Charges For Services</u>	<u>Operating Grants And Contributions</u>	<u>Capital Grants And Contributions</u>	<u>(Expense) Revenue and Change in Net Position</u>
Governmental activities:					
Instruction	\$ 2,623,254	\$ 43,810	\$ 493,305	\$ -	\$ (2,086,139)
Support services - students and staff	717,541	-	108,188	-	(609,353)
Support services - administration	664,525	-	56,755	-	(607,770)
Operation and maintenance of plant	1,323,358	-	-	543,161	(780,197)
Student transportation services	298,003	-	-	110,000	(188,003)
Operation of non-instructional services	343,396	134,587	191,448	-	(17,361)
Interest on long-term debt	47,768	-	-	-	(47,768)
Total governmental activities	<u>\$ 6,017,845</u>	<u>\$ 178,397</u>	<u>\$ 849,696</u>	<u>\$ 653,161</u>	<u>(4,336,591)</u>

General revenues:

Taxes:

Property taxes, general purposes 4,277,296

Property taxes, capital outlay 302,916

State aid:

General purposes 68,727

Capital outlay 1,386

Instructional improvement 19,372

Payments in lieu of taxes 6,548

Investment income 11,860

Miscellaneous 1,007

Total general revenues 4,689,112

Change in net position 352,521

Net position, July 1, 2019 4,267,631

Net position, June 30, 2020 \$ 4,620,152

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**FUND FINANCIAL STATEMENTS**

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**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**JUNE 30, 2020**

	General Fund	Classroom Site Fund	Adjacent Ways Fund
<b>ASSETS</b>			
Cash and investments	\$ 163,333	\$ 171,041	\$ 91,488
Property taxes receivable	30,474	-	352
Due from other governments	-	21,391	-
Due from other funds	45,000	-	-
Inventories	87,436	-	-
<b>Total assets</b>	<b>\$ 326,243</b>	<b>\$ 192,432</b>	<b>\$ 91,840</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 14,331	\$ -	\$ -
Due to other governments	-	-	-
Accrued payroll and benefits	29,004	-	-
Advances from grantors	-	-	-
Due to other funds	-	-	-
<b>Total liabilities</b>	<b>43,335</b>	<b>-</b>	<b>-</b>
<b>Deferred inflows of resources:</b>			
Unavailable revenue - property tax	26,397	-	305
<b>Total liabilities and deferred inflows of resources</b>	<b>69,732</b>	<b>-</b>	<b>305</b>
<b>Fund balances (deficits):</b>			
Nonspendable:			
Inventories	87,436	-	-
Restricted:			
Debt service	-	-	-
Capital outlay	-	-	91,535
Food service	-	-	-
Extracurricular activities tax credit	-	-	-
Career technical education	-	-	-
Voter approved initiatives	-	192,432	-
Other purposes	-	-	-
Unassigned	169,075	-	-
<b>Total fund balances (deficits)</b>	<b>256,511</b>	<b>192,432</b>	<b>91,535</b>
<b>Total liabilities, deferred inflows of resources, and fund balances (deficits)</b>	<b>\$ 326,243</b>	<b>\$ 192,432</b>	<b>\$ 91,840</b>

Building Renewal Fund	Other Governmental Funds	Total Governmental Funds
\$ -	\$ 218	\$ 426,080
-	7,720	38,546
-	152,895	174,286
-	56,133	101,133
-	2,901	90,337
<u>\$ -</u>	<u>\$ 219,867</u>	<u>\$ 830,382</u>

\$ 5,920	\$ 22,550	\$ 42,801
-	7,824	7,824
-	511	29,515
-	4,623	4,623
<u>67,943</u>	<u>33,190</u>	<u>101,133</u>
<u>73,863</u>	<u>68,698</u>	<u>185,896</u>
-	7,325	34,027
<u>73,863</u>	<u>76,023</u>	<u>219,923</u>

-	2,901	90,337
-	364	364
-	56,164	147,699
-	2,248	2,248
-	33,454	33,454
-	40,750	40,750
-	33,850	226,282
-	42,789	42,789
<u>(73,863)</u>	<u>(68,676)</u>	<u>26,536</u>
<u>(73,863)</u>	<u>143,844</u>	<u>610,459</u>
<u>\$ -</u>	<u>\$ 219,867</u>	<u>\$ 830,382</u>

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**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
GOVERNMENT-WIDE STATEMENT OF NET POSITION  
JUNE 30, 2020**

<b>Fund balances - total governmental funds</b>	<b>\$ 610,459</b>
<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>	8,933,001
<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	34,027
<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	387,134
Deferred inflows of resources related to pensions	(268,601)
<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	(3,784,758)
Capital lease	(95,540)
Guaranteed energy savings contract	(1,111,714)
Compensated absences	(83,856)
<b>Net position of governmental activities</b>	<b><u>\$ 4,620,152</u></b>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2020**

	<u>General Fund</u>	<u>Classroom Site Fund</u>	<u>Adjacent Ways Fund</u>
<b>Revenues:</b>			
Property taxes	\$ 4,276,499	\$ -	\$ 49,504
State aid and grants	68,727	256,723	-
Federal aid and grants	50,634	-	-
Other local revenue	<u>137,153</u>	<u>2,827</u>	<u>1,425</u>
<b>Total revenues</b>	<u>4,533,013</u>	<u>259,550</u>	<u>50,929</u>
<b>Expenditures:</b>			
Current:			
Instruction	1,938,373	195,295	-
Support services - students and staff	597,957	-	-
Support services - administration	596,880	-	-
Operation and maintenance of plant	865,151	-	17,615
Student transportation services	244,071	-	-
Operation of non-instructional services	97,053	-	-
Capital outlay	5,045	-	-
Debt service:			
Principal	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total expenditures</b>	<u>4,344,530</u>	<u>195,295</u>	<u>17,615</u>
Excess (deficiency) of revenues over expenditures	188,483	64,255	33,314
<b>Other financing sources (uses):</b>			
Transfers in	22,456	-	-
Transfers out	<u>(50,000)</u>	<u>-</u>	<u>-</u>
<b>Total other financing sources (uses)</b>	<u>(27,544)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances (deficits)</b>	160,939	64,255	33,314
<b>Fund balances (deficits), July 1, 2019</b>	103,785	128,177	58,221
Change in inventories	<u>(8,213)</u>	<u>-</u>	<u>-</u>
<b>Fund balances (deficits), June 30, 2020</b>	<u>\$ 256,511</u>	<u>\$ 192,432</u>	<u>\$ 91,535</u>

<u>Building Renewal Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 251,620	\$ 4,577,623
486,318	152,187	963,955
-	451,151	501,785
-	183,009	324,414
<u>486,318</u>	<u>1,037,967</u>	<u>6,367,777</u>
-	215,086	2,348,754
-	111,907	709,864
-	45,570	642,450
62,492	9,502	954,760
-	-	244,071
-	214,110	311,163
439,973	238,803	683,821
-	113,112	113,112
-	47,768	47,768
<u>502,465</u>	<u>995,858</u>	<u>6,055,763</u>
(16,147)	42,109	312,014
-	50,000	72,456
-	(22,456)	(72,456)
-	27,544	-
(16,147)	69,653	312,014
(57,716)	73,538	306,005
-	653	(7,560)
<u>\$ (73,863)</u>	<u>\$ 143,844</u>	<u>\$ 610,459</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
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, 2020**

<b>Net change in fund balances - total governmental funds</b>	<b>\$</b>	<b>312,014</b>
<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		683,821
Depreciation		(683,646)
<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		(31,438)
Current year unavailable property tax		34,027
<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		302,763
Pension expense		(365,088)
<p>Debt and any related premium proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the <i>Statement of Net Position</i>. Repayments of long-term debt principal are expenditures in the governmental funds, but the repayment reduces long-term liabilities in the <i>Statement of Net Position</i>.</p>		
Capital lease payment		29,212
Guaranteed energy savings contract payment		83,900
<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		(5,484)
<p>Some cash outlays are reported as expenditures in the governmental funds when purchased. In the <i>Statement of Activities</i>, however, they are reported as expenses when consumed.</p>		
Change in inventories using purchases method		(7,560)
<b>Change in net position of governmental activities</b>	<b>\$</b>	<b><u>352,521</u></b>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**  
**JUNE 30, 2020**

	Agency Funds		
	Student Activities	Employee Withholding	Total
<b>ASSETS</b>			
Cash in bank	\$ 41,939	\$ 756	\$ 42,695
<b>Total assets</b>	<u>\$ 41,939</u>	<u>\$ 756</u>	<u>\$ 42,695</u>
<b>LIABILITIES</b>			
Due to student groups	\$ 41,939	\$ -	\$ 41,939
Deposits held for others	<u>-</u>	<u>756</u>	<u>756</u>
<b>Total liabilities</b>	<u>\$ 41,939</u>	<u>\$ 756</u>	<u>\$ 42,695</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

Joseph City Unified School District No. 2 (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.

For the year ended June 30, 2020, the District implemented the provisions of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The primary objective of the Statement is to provide temporary relief to governments in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective date of GASB Statement No. 84, *Fiduciary Activities* that was scheduled to become effective for periods beginning after December 15, 2018, and later.

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.

The Governing Board is organized under §15-321 of the Arizona Revised Statutes (A.R.S.). Management of the District is independent of other state or local governments. Under existing statutes, the Governing Board's duties and powers include, but are not limited to, the acquisition, maintenance and disposition of school property; the development and adoption of a school program; and the establishment, organization and operation of schools. The Board also has broad financial responsibilities, including the approval of the annual budget, and the establishment of a system of accounting and budgetary controls. The District's major operations include education, student transportation, food service, and maintenance of District facilities.

Criteria for determining if other entities are potential component units which should be reported within the District's basic financial statements are identified and described in the GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, §'s 2100 and 2600. The application of these criteria provides for identification of any entities for which the District is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's basic financial statements to be misleading or incomplete. Accordingly, for the year ending June 30, 2020, the District does not have any component units and is not a component unit of any other reporting entity.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**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.

**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.

Fiduciary funds report assets held in a trustee or agency capacity for others and, therefore, cannot be used to support the District's own programs. As such, these funds are omitted from the government-wide statements.

**Fund Financial Statements** - Provide information about the District's funds, including fiduciary funds. Separate statements are presented for the governmental and fiduciary fund categories. 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. Any fiduciary funds are aggregated and reported by fund type. 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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The District's accounts are organized into major governmental funds, other governmental funds, and fiduciary funds as follows:

**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.

Classroom Site Fund - to account for the portion of state sales tax collections and permanent state school fund earnings districts receive as approved by the voters in 2000 as part of Proposition 301.

Adjacent Ways Fund - to account for monies received to finance improvements of property adjacent to the school, such as public streets or alleys, or improvements of school property that provide safe access for buses and fire equipment.

Building Renewal Fund - to account for monies received from the School Facilities Board that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems or buildings that will maintain or extend their useful life.

**Other Governmental Funds:**

Special Revenue Funds - to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Capital Project Funds - to account for the acquisition and construction of all major governmental general capital assets.

**Fiduciary Funds:**

Agency Funds - to account for assets of others for which the District acts as an agent. The District maintains two agency funds to account for student club activities and employee withholdings. The Student Activities Fund accounts for monies raised by students to finance student clubs and the Employee Insurance Program Withholdings Fund accounts for unremitted payroll deductions temporarily held by the District.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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. Agency funds are custodial in nature and do not have a measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities. 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 capital lease agreements are reported as other financing sources.

**D. Expenses and Expenditures**

Using the accrual basis of accounting, expenses are recognized at the time a liability is incurred. In the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, expenditures are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental fund statements. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Cash and Investments**

The District 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.

**F. Property Taxes**

The Navajo 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.

**G. 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."

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Inventories**

Inventories in the government-wide and financial statements are recorded as assets when purchased and expensed when consumed. These inventories are stated at cost using the first-in/first-out (FIFO) method. The costs of inventories are accounted for using the consumption method (expensed when consumed).

**I. 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	5 - 50 years
Buildings and improvements	2 - 50 years
Vehicles, furniture, and equipment	5 - 20 years

**J. 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.

The *Statement of Net Position* includes 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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**K. Postemployment Benefits**

For purposes of measuring the 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.

**L. 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.

**M. 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 vested, for example, as a result of employee leave, resignations and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

**N. 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.

**O. Investment Income**

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the fund financial statements. Interest earned from investments purchased with pooled monies is allocated to each of the District's funds based on their average balances.

**P. 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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**Q. 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.

**R. 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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

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

**R. 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.

**S. 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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020, the carrying amount (reported) cash balance was \$140,184 (\$97,489 reported within the governmental funds and \$42,695 reported in the fiduciary funds), while the total bank balance was \$174,290 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 Navajo County Treasurer to receive and hold all District monies and pool the monies with other school districts for investment purposes. As of June 30, 2020, the District reported \$328,591 on deposit with the Navajo County Treasurer's Investment Pool (NCTIP). The NCTIP is an external investment pool with no regulatory oversight. The NCTIP is not required to register (and is not registered) with the Securities and Exchange Commission. As of June 30, 2020, the NCTIP did not receive a credit quality rating from a national rating agency. The Navajo County Treasurer invests the cash in a pool under policy guidelines established by the County. The Navajo 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 NCTIP are included in the Comprehensive Annual Financial Report of Navajo County. The fair value of each participant's position in the NCTIP 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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**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, 2020, are as follows:

	Classroom Site Fund	Other Governmental Funds	Totals
<b>Due from state government:</b>			
State equalization	\$ -	\$ 56,843	\$ 56,843
Classroom site	21,391	-	21,391
Instructional improvement	-	10,576	10,576
<b>Due from federal government:</b>			
Federal grants	-	85,476	85,476
<b>Total due from other governments</b>	<b>\$ 21,391</b>	<b>\$ 152,895</b>	<b>\$ 174,286</b>

**NOTE 4 - ADVANCES FROM GRANTORS**

Governmental funds report advances from grantors for assets that are transferred to the District prior to the District fulfilling all program requirements that would entitle them to recognize the revenue. As of June 30, 2020, the advances from grantors reported in the governmental funds were as follows:

**Building Renewal Fund:**

**Other Governmental Funds:**

Advances from state grants	\$ 300
Advances from federal grants	4,323
Total Other Governmental Funds:	4,623
<b>Total advances from grantors</b>	<b>\$ 4,623</b>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 5 - CAPITAL ASSETS**

Capital asset governmental activity for the year ended June 30, 2020, was as follows:

<u>Governmental activities:</u>	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
<b>Non-depreciable capital assets:</b>				
Land	\$ 22,800	\$ -	\$ -	\$ 22,800
Construction in progress	35,068	447,265	-	482,333
Total non-depreciable capital assets	<u>57,868</u>	<u>447,265</u>	<u>-</u>	<u>505,133</u>
<b>Depreciable capital assets:</b>				
Land improvements	1,864,697	-	-	1,864,697
Buildings and improvements	20,407,829	70,590	-	20,478,419
Vehicles, furniture, and equipment	3,726,876	165,966	(96,300)	3,796,542
Total depreciable capital assets	<u>25,999,402</u>	<u>236,556</u>	<u>(96,300)</u>	<u>26,139,658</u>
Less accumulated depreciation for:				
Land improvements	(1,722,168)	(26,057)	-	(1,748,225)
Buildings and improvements	(13,109,396)	(481,647)	-	(13,591,043)
Vehicles, furniture, and equipment	(2,292,880)	(175,942)	96,300	(2,372,522)
Total accumulated depreciation	<u>(17,124,444)</u>	<u>(683,646)</u>	<u>96,300</u>	<u>(17,711,790)</u>
Total depreciable capital assets, net	<u>8,874,958</u>	<u>(447,090)</u>	<u>-</u>	<u>8,427,868</u>
<b>Total capital assets, net</b>	<u>\$ 8,932,826</u>	<u>\$ 175</u>	<u>\$ -</u>	<u>\$ 8,933,001</u>

Depreciation was charged to governmental functions as follows:

Instruction	\$ 239,781
Support services - students and staff	1,802
Support services - administration	9,635
Operation and maintenance of plant	348,930
Student transportation services	50,843
Operations of non-instructional services	32,655
Total depreciation expense	<u>\$ 683,646</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 6 - CONSTRUCTION CONTRACT COMMITMENTS**

The District had the following construction contract commitments as of June 30, 2020:

Project	Contract Amount	Amount Paid as of June 30, 2020	Contract Balance
Roofing upgrades	\$ 901,256	\$ 482,332	\$ 418,924
Totals	<u>\$ 901,256</u>	<u>\$ 482,332</u>	<u>\$ 418,924</u>

These projects are being financed with School Facility Board monies.

**NOTE 7 - INTERFUND RECEIVABLES AND PAYABLES**

The following is a summary of interfund receivables and payables reported as of June 30, 2020:

Funds	Interfund	
	Due From	Due To
General Fund	\$ 45,000	\$ -
Building Renewal Fund	-	67,943
Other Governmental Funds	56,133	33,190
Total	<u>\$ 101,133</u>	<u>\$ 101,133</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 8 - LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities of the District for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year
Net pension liability	\$ 3,658,162	\$ 903,482	\$ (776,886)	\$ 3,784,758	\$ -
Capital lease	124,752	-	(29,212)	95,540	30,491
Guaranteed energy savings contract	1,195,614	-	(83,900)	1,111,714	89,312
Compensated absences	78,372	54,487	(49,003)	83,856	8,000
Total	<u>\$ 5,056,900</u>	<u>\$ 957,969</u>	<u>\$ (939,001)</u>	<u>\$ 5,075,868</u>	<u>\$ 127,803</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - 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](http://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:

	<b>Before July 1, 2011</b>	<b>On or after July 1, 2011</b>
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.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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, 2020, statute required active ASRS members to contribute at the actuarially determined rate of 12.11 percent (11.94 percent for retirement and 0.17 percent for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.11 percent (11.45 percent for retirement, 0.49 percent for health insurance premium benefit, and 0.17 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 10.41 percent (10.29 percent for retirement, 0.05 for health insurance premium benefit, and 0.07 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, 2020, 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>
2020	\$ 302,763	\$ 12,562	\$ 4,414	\$ 319,739
2019	307,356	11,761	4,391	323,508
2018	283,915	10,958	4,146	299,019

During fiscal year ending June 30, 2020, 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	\$ 279,051	87.27 %
Classroom Site Fund	19,903	6.22 %
Adjacent Ways Fund	1,322	0.41 %
Other Governmental Funds	19,463	6.10 %
Total	<u>\$ 319,739</u>	<u>100.00 %</u>

The District's OPEB balance and related activity for the fiscal year ending June 30, 2020, was immaterial, therefore, related disclosures have been omitted.

**Liability** - At June 30, 2020, the District reported a pension liability of \$3,784,758 for its proportionate share of the ASRS' net pension liability.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

The net liability was measured as of June 30, 2019. 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, 2018, to the measurement date of June 30, 2019.

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, 2019, and the change from its proportions measured as of June 30, 2018, were:

	<u>Proportion</u> <u>June 30, 2019</u>	<u>Increase</u> <u>(Decrease)</u> <u>From</u> <u>June 30, 2018</u>
Pension	0.0260 %	(0.0002)%

**Expense** - For the year ended June 30, 2020, the District recognized \$365,088 of pension expense.

**Deferred outflows/inflows of resources** - At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to the pension from the following sources:

	<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	\$ 68,373	\$ 712
Changes in assumptions or other inputs	15,998	150,716
Net difference between projected and actual earnings on pension plan investments	-	85,068
Changes in proportion and differences between District contributions and proportionate share of contributions	-	32,105
District contributions subsequent to the measurement date	<u>302,763</u>	<u>-</u>
Total	<u>\$ 387,134</u>	<u>\$ 268,601</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (continued)**

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, 2021. 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)
2021	\$ (79,582)
2022	(111,095)
2023	(16,337)
2024	22,784
2025	-
Thereafter	-
Total	\$ (184,230)

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

Actuarial valuation date	June 30, 2018
Actuarial roll forward date	June 30, 2019
Actuarial cost method	Entry age normal
Investment rate of return	7.5%
Projected salary increase	2.7 - 7.2%
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, 2018, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2016.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 9 - PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS (concluded)**

The long-term expected rate of return on ASRS plan investments was determined to be 7.5 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 Expected Geometric Real Rate of Return</u>
Equity	50.00 %	6.09 %
Credit	20.00 %	5.36 %
Interest rate sensitive bonds	10.00 %	1.62 %
Real estate	20.00 %	5.85 %
Total	<u>100.00 %</u>	

**Discount rate** - The discount rate used to measure the ASRS total pension liability was 7.5 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 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 7.5 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 (6.5 percent) or 1 percentage point higher (8.5 percent) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
District's proportionate share of the: Net pension liability	\$ 5,386,587	\$ 3,784,758	\$ 2,446,041

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

**Contributions payable** - The District's accrued payroll and employee benefits included \$2,619 of outstanding pension amounts payable to ASRS for the year ended June 30, 2020.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**NOTE 10 - CAPITAL LEASE**

The District acquired a school bus under the provisions of a long-term lease agreement classified as a capital lease. The lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at present value of the future minimum lease payments as of the inception date. Revenues from the Unrestricted Capital Outlay Fund, a non-major capital project fund, are used for payment of the capital lease obligation.

The asset capitalized and acquired through a capital lease is as follows:

Asset	Governmental Activities
Bus	\$ 139,750
Less accumulated depreciation	(26,785)
Total assets, net	\$ 112,965

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Year Ending June 30:	Governmental Activities
2021	\$ 34,676
2022	34,676
2023	34,676
Total minimum lease payments	104,028
Less: amount representing interest	(8,488)
Present value of minimum lease payments	\$ 95,540

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 11 - GUARANTEED ENERGY SAVINGS CONTRACT**

The District entered into a \$1,513,615 guaranteed energy savings contract lease-purchase agreement on April 30, 2014, for energy system improvements. As part of the agreement, the total principal and interest payments of \$2,015,734 are to be offset by energy cost savings over a 15 year period. In the event that the energy savings for a year is less than the guaranteed amount, Ameresco Southwest Inc., the energy equipment providers, will reimburse the District for the shortfall.

The lease will be paid with the savings transferred from the Maintenance and Operations Fund, grouped within the General Fund, to the Energy and Water Savings Fund, a non-major capital projects fund, as well as with energy rebates received from APS throughout the year.

The asset capitalized and acquired through the energy savings contract is as follows:

Asset	Governmental Activities
Energy savings equipment	\$ 1,513,615
Less accumulated depreciation	(492,312)
Total assets, net	\$ 1,021,303

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2020, were as follows:

Year Ending June 30:	Governmental Activities
2021	\$ 128,547
2022	130,985
2023	133,521
2024	136,158
2025	138,900
2026-2030	661,561
Total minimum lease payments	1,329,672
Less: amount representing interest	(217,958)
Present value of minimum lease payments	\$ 1,111,714

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 12 - DEFICIT FUND BALANCES**

The District reported a deficit fund balance in the following funds:

	Deficit
Building Renewal Fund	\$ 73,863
Other Governmental Funds:	
Health Drug-Free Community Grant	53,889
Energy and Water Savings	14,787

The deficits are due to the differences of the District being allowed to expend up to approved award amounts and the timing of related revenue to be received by the District. Future receipts are expected to eliminate the deficit fund balances.

**NOTE 13 - INTERFUND TRANSFERS**

The following is a summary of interfund transfers reported as of June 30, 2020:

Funds	Interfund	
	Transfers In	Transfers Out
General Fund	\$ 22,456	\$ 50,000
Other Governmental Funds	50,000	22,456
Total	\$ 72,456	\$ 72,456

The transfer was made to (1) move indirect costs from federal grant funds to the Indirect Costs Fund, which is grouped within the General Fund, and (2) move electricity savings from the Maintenance and Operations Fund, which is grouped within the General Fund, to the Energy and Water Savings Fund, which is grouped within Other Governmental Funds.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 14 - RISK MANAGEMENT**

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

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2020**

**NOTE 15 - COMMITMENTS AND CONTINGENCIES**

**Budget Override** - During the fiscal year ending June 30, 2020, the voters of the District approved a 15% Maintenance and Operation Budget Override beginning with the fiscal year ending June 30, 2021 and for the six subsequent years. The override allows the District to exceed the revenue control limit by fifteen percent of the revenue control limit. In fiscal years ending June 30, 2021 through June 30, 2025, the amount of the proposed increase will be fifteen percent of the District's revenue control limit in each of such years, as provided in Section 15-481(P) of the Arizona Revised Statutes. In fiscal year ending June 30, 2026 the amount of the proposed increase will be two-thirds of the initial increase and In fiscal year ending June 30, 2027 one-third of the initial increase, as provided in Section 15-481(P)(2) of the Arizona Revised Statutes. The amount of the budgetary override for fiscal year 2021 is estimated to be \$643,693.

**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.

**Contingencies** - On March 11, 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Management believes the District is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated since it is still developing.

**NOTE 16 - SUBSEQUENT EVENTS**

**Grants** - The Coronavirus Response and Relief Supplemental Appropriations Act (CRRSA) was signed into law on December 27, 2020. It provides additional money for the Elementary and Secondary School Emergency Relief Fund (ESSER II and ESSER III) and the Governor's Emergency Education Relief Fund (GEER), programs created by the Coronavirus Aid, Relief, and Economic Security Act (CARES) in March 2020. The Arizona Department of Education allocated \$1,877,786 to the District, which can be used for expenditures going back to March 2020.

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**  
**YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		(Non-GAAP)	<u>Variance</u>
	<u>Adopted</u>	<u>Final</u>	Actual Amounts	
<b>Revenues:</b>				
Property taxes	\$ 4,455,518	\$ 4,292,666	\$ 4,276,499	\$ (16,167)
State aid and grants	71,604	68,987	68,727	(260)
Other local revenue	10,784	10,390	10,351	(39)
<b>Total revenues</b>	<u>4,537,906</u>	<u>4,372,043</u>	<u>4,355,577</u>	<u>(16,466)</u>
<b>Expenditures:</b>				
<b>Regular education:</b>				
Instruction	1,546,488	1,380,625	1,413,739	(33,114)
Support services - students and staff	369,135	369,135	321,340	47,795
Support services - administration	610,253	610,253	573,245	37,008
Operation and maintenance of plant	905,533	905,533	859,509	46,024
Operation of non-instructional services	15,731	15,731	80,314	(64,583)
School-sponsored cocurricular activities	169,179	169,179	22,607	146,572
School-sponsored athletics	-	-	125,455	(125,455)
Other programs	-	-	3,907	(3,907)
<b>Total regular education</b>	<u>3,616,319</u>	<u>3,450,456</u>	<u>3,400,116</u>	<u>50,340</u>
<b>Special education:</b>				
Instruction	252,402	252,402	265,448	(13,046)
Support services - students and staff	258,164	258,164	233,749	24,415
Support services - administration	649	649	-	649
<b>Total special education</b>	<u>511,215</u>	<u>511,215</u>	<u>499,197</u>	<u>12,018</u>
<b>Student transportation services:</b>				
Student transportation services	391,072	391,072	244,071	147,001
<b>K-3 reading program:</b>				
Instruction	19,300	19,300	22,174	(2,874)
<b>Total expenditures</b>	<u>4,537,906</u>	<u>4,372,043</u>	<u>4,165,558</u>	<u>206,485</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>190,019</u>	<u>190,019</u>
<b>Other financing uses:</b>				
Transfers out	-	-	(50,000)	(50,000)
<b>Net changes in fund balances</b>	<u>-</u>	<u>-</u>	<u>140,019</u>	<u>140,019</u>
<b>Fund balance, July 1, 2019</b>	<u>16,288</u>	<u>16,288</u>	<u>16,288</u>	<u>-</u>
<b>Fund balance (non-GAAP), June 30, 2020</b>	<u>\$ 16,288</u>	<u>\$ 16,288</u>	<u>\$ 156,307</u>	<u>\$ 140,019</u>

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**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
BUDGETARY COMPARISON SCHEDULE - CLASSROOM SITE FUND  
YEAR ENDED JUNE 30, 2020**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance</u>
	<u>Adopted</u>	<u>Final</u>		
<b>Revenues:</b>				
State aid and grants	\$ 489,382	\$ 495,947	\$ 256,723	\$ (239,224)
Other local revenue	5,389	5,461	2,827	(2,634)
<b>Total revenues</b>	<u>494,771</u>	<u>501,408</u>	<u>259,550</u>	<u>(241,858)</u>
<b>Expenditures:</b>				
Instruction	<u>494,771</u>	<u>501,408</u>	<u>195,295</u>	<u>306,113</u>
<b>Total expenditures</b>	<u>494,771</u>	<u>501,408</u>	<u>195,295</u>	<u>306,113</u>
<b>Net change in fund balances</b>	<u>-</u>	<u>-</u>	<u>64,255</u>	<u>64,255</u>
<b>Fund balance, July 1, 2019</b>	<u>128,177</u>	<u>128,177</u>	<u>128,177</u>	<u>-</u>
<b>Fund balance, June 30, 2020</b>	<u>\$ 128,177</u>	<u>\$ 128,177</u>	<u>\$ 192,432</u>	<u>\$ 64,255</u>

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**  
**JUNE 30, 2020**

ASRS - Pension	Reporting Fiscal Year (Measurement Date)			
	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)
District's proportion of the net pension liability	0.03 %	0.03 %	0.03 %	0.03 %
District's proportionate share of the net pension liability	\$ 3,784,758	\$ 3,658,162	\$ 4,115,721	\$ 4,269,296
District's covered payroll	\$ 2,837,486	\$ 2,777,201	\$ 2,760,379	\$ 2,683,100
District's proportionate share of the net pension liability as a percentage of its covered payroll	133.38 %	131.72 %	149.10 %	159.12 %
Plan fiduciary net position as a percentage of the total pension liability	73.24 %	73.40 %	69.92 %	67.06 %

Reporting Fiscal Year  
(Measurement Date)

2016 (2015)	2015 (2014)	2014 through 2011
0.03 %	0.03 %	Information is not available. Additional information will be presented as it becomes available.
\$ 4,059,595	\$ 4,146,115	
\$ 2,608,341	\$ 2,820,520	
155.64 %	147.00 %	
68.35 %	69.49 %	

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS**  
**JUNE 30, 2020**

ASRS - Pension	Reporting Fiscal Year			
	2020	2019	2018	2017
Statutorily required contribution	\$ 302,763	\$ 307,356	\$ 283,915	\$ 278,564
District's contributions in relation to the statutorily required contribution	302,763	307,356	283,915	278,564
District's contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 2,779,630	\$ 2,837,486	\$ 2,777,201	\$ 2,760,379
District's contributions as a percentage of covered payroll	10.89 %	10.83 %	10.22 %	10.09 %

Reporting Fiscal Year			2013 through 2011
2016	2015	2014	
\$ 269,015	\$ 263,770	\$ 272,898	Information is not available. Additional information will be presented as it becomes available.
<u>269,015</u>	<u>263,770</u>	<u>272,898</u>	
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
\$ 2,683,100	\$ 2,608,341	\$ 2,820,520	
10.03 %	10.11 %	9.68 %	

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2**  
**NOTE TO REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2020**

**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 items:

- 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.
- B. Expenditures that are allowable for budget reporting but not allowable as expenditures within the scope of generally accepted accounting standards are detailed and reconciled at the bottom of the following table.

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.

	<b>General Fund</b>					
	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources (uses)</u>	<u>Beginning Fund Balance</u>	<u>Change In Inventories</u>	<u>Ending Fund Balance</u>
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds - General Fund - GAAP	\$ 4,533,013	\$ 4,344,530	\$ (27,544)	\$ 103,785	\$ (8,213)	\$ 256,511
Less: budgeted special revenue funds reported within the General Fund	177,436	169,845	22,456	87,497	-	117,544
Maintenance and Operation - GAAP	<u>\$ 4,355,577</u>	<u>\$ 4,174,685</u>	<u>\$ (50,000)</u>	<u>\$ 16,288</u>	<u>\$ (8,213)</u>	<u>\$ 138,967</u>
Less: prior year encumbrance prepaid items		(9,127)				9,127
Maintenance and Operation - Non-GAAP	<u>\$ 4,355,577</u>	<u>\$ 4,165,558</u>	<u>\$ (50,000)</u>	<u>\$ 16,288</u>	<u>\$ (8,213)</u>	<u>\$ 148,094</u>

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**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  
Joseph City Unified School District No. 2

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 Joseph City Unified School District No. 2 (District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated September 28, 2021.

**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.

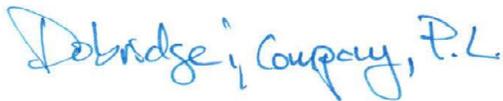
## Compliance and Other Matters

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 September 28, 2021.

## 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.



*Certified Public Accountants*  
*Mesa, Arizona*

September 28, 2021

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2020**

**PRIOR YEAR FINDING:**

**2019-001:**

**Transfers from Maintenance and Operation Fund**

**SUMMARY:**

The District eliminated negative cash funds by transferring money from the M&O Fund, which is not allowed.

**STATUS:**

**Corrected**

**2019-002:**

**Cash Reconciliations**

**SUMMARY:**

The District did not reconcile its cash balances with the County School Superintendent on a monthly basis.

**STATUS:**

**Corrected**

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## **8. DISCUSSION ITEMS**

The Governing Board will not vote on Discussion Items and any action taken as a result of this discussion will be limited to directing staff to study the matter or scheduling the matter for a future agenda.

## **9. INFORMATION ITEMS**

### **A. Requests for Future Agenda Items**

This agenda item is for the Governing Board to have a running record of potential items to be placed on future agendas. There will be no discussion on the substance, merits, or issues relating to the proposed agenda item.

### **B. Upcoming Meetings and Events Calendar**

- Next Regular Board Meeting - December 14, 2021; 6:00 p.m.

## **10. ADJOURNMENT**

Call to adjourn the meeting