

**PINON COMMUNITY SCHOOL BOARD, INC.**  
Pinon, Arizona

Basic Financial Statements, Independent Auditor's Report, and  
Single Audit Reporting Package

As of and for the Year Ended June 30, 2025



**PINON COMMUNITY SCHOOL BOARD, INC.**

**TABLE OF CONTENTS**

**JUNE 30, 2025**

	<u>Page(s)</u>
<b>INDEPENDENT AUDITOR'S REPORT .....</b>	<b>1</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) .....</b>	<b>4</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-Wide Financial Statements	
Statement of Net Position .....	10
Statement of Activities.....	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Governmental Funds.....	12
Statement of Revenues, Expenditures, and Change in Fund Balances	
- Governmental Funds.....	13
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balances - Governmental Funds to the Statement of Activities.....	14
Proprietary Funds	
Statement of Net Position - Proprietary Funds .....	15
Statement of Revenues, Expenses, and Changes in Net Position - Proprietary Funds.....	16
Statement of Cash Flows - Proprietary Fund.....	17
Fiduciary Funds	
Statement of Fiduciary Net Position - Fiduciary Fund.....	18
Statement of Changes in Fiduciary Net Position – Fiduciary Fund .....	19
Notes to the Financial Statements .....	20
<b>SUPPLEMENTARY INFORMATION</b>	
Schedule of Expenditures of Federal Awards .....	32
Notes to Schedule of Expenditures of Federal Awards .....	33
<b>COMPLIANCE SECTION</b>	
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements performed in Accordance with <i>Government Auditing Standards</i> .....	34
Independent Auditor’s Report on Compliance for Each Major Federal Program and Control over Compliance Required by the Uniform Guidance .....	36
<b>Schedule of Findings and Questioned Costs.....</b>	<b>38</b>
<b>Status of Prior Year Findings and Questioned Costs.....</b>	<b>40</b>

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Pinon Community School Board, Inc.  
Pinon, Arizona

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

***Opinions***

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, the fiduciary activities, and the aggregate remaining fund information of the Pinon Community School Board, Inc. (the "School"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, the fiduciary activities, and the aggregate remaining fund information of the School, as of June 30, 2025, and the respective changes in net position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Basis for Opinions***

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

***Responsibilities of Management for the Financial Statements***

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

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

***Auditor's Responsibilities for the Audit of the Financial Statements***

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-9 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2026, on our consideration of the School'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 School'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 School's internal control over financial reporting and compliance.

*Jonathan Cushman, CPA LLC*

Longview, Washington  
March 30, 2026

**MANAGEMENTS DISCUSSION AND ANALYSIS (UNAUDITED)**

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

As management of the Pinon Community School Board, Inc. (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2025. The Management's Discussion and Analysis are presented as required supplementary information to supplement the basic financial statements.

**FINANCIAL HIGHLIGHTS**

- The School's total net position of governmental activities decreased by \$383,862 which represents a decrease from the prior fiscal year as a result of increase in expenses related to governmental activities.
- General revenues accounted for \$58,774 in revenue. Program specific revenue in the form of charges for services and grants and contributions accounted for \$4,637,700 or nearly 98.7 percent of total current fiscal year revenues.
- The School had \$5,080,336 in expenses related to governmental activities, which represents an decrease from the prior fiscal year as result of decrease in education, residential, facilities, operation, and maintenance, and COVID-19 related expenses.
- Among major funds, the General Fund had \$4,374,381 in current fiscal year revenues, which primarily consisted of federal grants, and \$5,070,454 in expenditures. The General Fund's fund balance decreased from \$696,073 at the prior fiscal year end to \$1,064,778 at the end of the current fiscal year was primarily due to a decrease in revenues in the current fiscal year.
- Net position for the Internal Service Fund increased by \$1,976 from prior fiscal year primarily due to increase in contributions. Operating revenues is \$263,319 and operating expenses is \$268,683 at the end of the current fiscal year.

**OVERVIEW OF FINANCIAL STATEMENTS**

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

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

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

The statement of activities presents information showing how the School'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., earned but unused compensated absences).

The government-wide financial statements outline functions of the School that are principally supported by intergovernmental revenues. The governmental activities of the School include education, administration and governing board, residential, and facilities, operations, and maintenance.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**OVERVIEW OF FINANCIAL STATEMENTS - CONT'D**

**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 School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into three categories: governmental funds, proprietary 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 use the modified accrual basis of accounting and focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School'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 School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**Proprietary Funds** - The School maintains one type of Proprietary Fund. The Internal Service Fund is an accounting device used to accumulate and allocate costs internally among the School's various functions. The School uses its Internal Service Fund to account for its employee benefit trust. Because this service benefits governmental functions, it has been included within governmental activities in the government-wide financial statements. The Employee Benefit Trust, although a legally separate component unit, functions for all employees of the School, and therefore has been included as an Internal Service Fund.

**Fiduciary Funds** - Fiduciary Funds are used to account for resources held for the benefit of parties outside the School. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the School's own programs. Due to their custodial nature, the fiduciary funds do not have a measurement focus.

**Notes to 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 statement.

**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 School, assets exceeded liabilities by \$2,278,876 at the current fiscal year end.

A portion of the School's net position reflects its investment in capital assets (e.g., vehicles, machinery, equipment, and right to use assets), less lease liabilities and any related outstanding debt used to acquire those assets. The School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. The School had no related debt. The School has \$530,484 of net position classified as restricted. The remaining balance is unrestricted and may be used to meet the School's ongoing obligations to its citizens and creditors.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

The following table presents a summary of the School's net position for the fiscal year ended June 30, 2025, and June 30, 2024:

**TABLE 1**  
**Statement of Net Position**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
<b>Assets</b>			
Current assets	\$ 1,838,553	\$ 2,382,718	\$ (544,165)
Noncurrent assets	<u>743,835</u>	<u>415,902</u>	<u>327,933</u>
Total assets	<u>2,582,388</u>	<u>2,798,620</u>	<u>(216,232)</u>
<b>Liabilities</b>			
Current liabilities	303,348	129,540	173,808
Noncurrent liabilities	<u>164</u>	<u>6,342</u>	<u>(6,178)</u>
Total liabilities	<u>303,512</u>	<u>135,882</u>	<u>167,630</u>
<b>Net Position</b>			
Net investment in capital assets	736,233	400,245	335,988
Restricted	530,484	3,939,046	(3,408,562)
Unrestricted (deficit)	<u>1,012,159</u>	<u>(1,676,553)</u>	<u>2,688,712</u>
Total net position	<u>\$ 2,278,876</u>	<u>\$ 2,662,738</u>	<u>\$ (383,862)</u>

At the end of the current fiscal year the School reported positive balances in all categories of net position.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Changes in net position** - The School's total revenues for the current fiscal year were \$4,696,474. The total cost of all programs and services was \$5,080,336. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2025, and June 30, 2024.

**TABLE 2**  
**Statement of Revenues, Expenses, and Changes in Net Position**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
<b>Revenues:</b>			
Program revenues:			
Charges for services	\$ 361,891	\$ 83,645	\$ 278,246
Operating grant and contributions	3,824,471	5,045,904	(1,221,433)
Capital grant and contributions	451,338	-	451,338
General revenues:			
Interest income	7,340	9,587	(2,247)
Plan recoveries	<u>51,434</u>	<u>51,097</u>	<u>337</u>
Total revenue	<u>4,696,474</u>	<u>5,190,233</u>	<u>(493,759)</u>
<b>Expenses:</b>			
Education	2,297,316	2,741,820	(444,504)
Administration and governing board	748,319	653,021	95,298
Residential	4,806	17,474	(12,668)
Facilities, operation, and maintenance	1,150,405	1,165,175	(14,770)
Transportation	550,313	505,435	44,878
COVID-19 related	8,725	243,953	(235,228)
Custodial Fund	320,117	-	320,117
Interest expense	<u>335</u>	<u>-</u>	<u>335</u>
Total expenses	<u>5,080,336</u>	<u>5,326,878</u>	<u>(246,542)</u>
Change in net position	<u>(383,862)</u>	<u>(136,645)</u>	<u>(247,217)</u>
Net position, beginning	<u>2,662,738</u>	<u>2,799,383</u>	<u>(136,645)</u>
Net position, ending	<u>\$ 2,278,876</u>	<u>\$ 2,662,738</u>	<u>\$ (383,862)</u>

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**  
**FOR THE YEAR ENDED JUNE 30, 2025**

The following table presents the cost of the School's major functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and inter- governmental aid provided for specific programs).

**TABLE 3**

	Year Ended June 30, 2025		Year Ended June 30, 2024	
	Total	Net	Total	Net
<b>Expenses:</b>				
Education	\$ 2,297,316	\$ 1,978,493	\$ 2,741,820	\$ (395,509)
Administration and governing board	748,319	(649,747)	653,021	70,859
Residential	4,806	(4,806)	17,474	55,448
Facilities, operation, and maintenance	1,150,405	(1,150,405)	1,165,175	49,307
Transportation	550,313	(550,313)	505,435	266,519
COVID-19 related	8,725	(8,725)	243,953	(243,953)
Custodial Fund	320,117	(56,798)	-	-
Interest expense	335	(335)	-	-
Total expenses	<u>\$ 5,080,336</u>	<u>\$ (442,636)</u>	<u>\$ 5,326,878</u>	<u>\$ (197,329)</u>

- The cost of all governmental activities this year was \$5,080,336.
- The federal government and charges for services subsidized certain programs with grants and contributions and other local revenues of \$4,637,700.

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

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

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

The financial performance of the School as a whole is reflected in its governmental funds. As the School completed the year, its governmental funds reported a combined fund balance of \$1,064,778 a decrease of \$696,073 primarily due to a decrease in revenues.

The General Fund comprise all of the total fund balances. In the Fund balance categories, the non-spendable fund balance and unassigned fund balance are \$28,227, and \$1,036,551 respectively.

The General Fund is the principal operating fund of the School. The decrease in fund balance from \$1,760,851 to \$1,064,778 as of fiscal year end was a result of a decrease in revenues. General Fund revenues decreased by \$449,722. General Fund expenditures decreased by \$118,852.

**Proprietary Funds** - Restricted net position of the Internal Service Fund at the end of the fiscal year amounted to \$530,484. This represents an increase of \$1,976 from the prior fiscal year.

**PINON COMMUNITY SCHOOL BOARD, INC.  
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)  
FOR THE YEAR ENDED JUNE 30, 2025**

**CAPITAL ASSETS**

At year end, the School had invested \$743,835 in capital assets, including building improvements, buses and other vehicles, computers, other equipment, and right to use lease and SBITA assets. This amount represents a net increase of \$327,933 from the prior fiscal year. Total depreciation and amortization expense for the current fiscal year was \$123,405. The net capital asset balance was \$742,575 on June 30, 2025, and \$415,902 on June 30, 2024. Additional information on the School's capital assets can be found in Note 5.

**CONTACTING THE SCHOOL'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the resources it receives. If you have questions about this report or need additional information, contact the:

Business and Finance Department,  
Pinon Community School Board, Inc.  
Navajo Route 4, Old BIA Campus,  
Pinon, Arizona 86510.

## BASIC FINANCIAL STATEMENTS

## GOVERNMENT-WIDE FINANCIAL STATEMENTS

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2025**

	Governmental Activities
<b>Assets</b>	
Current assets:	
Cash	\$ 1,134,360
Restricted cash	555,583
Due from grantor	120,383
Prepaid items	28,227
Total current assets	1,838,553
Noncurrent assets:	
Tangible capital assets	1,328,689
Less: accumulated depreciation	(591,884)
Right-to-use leased assets	41,202
Less: accumulated amortization	(35,432)
Total tangible capital assets, net	742,575
Intangible capital assets - SBITA assets	22,669
Less: accumulated amortization	(21,409)
Total intangible capital assets, net	1,260
Total noncurrent assets	743,835
Total assets	2,582,388
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	200,844
Claims payable	25,099
Accrued liabilities	17,348
Lease liability	6,178
Compensated absences	53,879
Total current liabilities	303,348
Noncurrent liabilities:	
Lease liability, net of current position	164
Total noncurrent liabilities	164
Total liabilities	303,512
<b>Net Position</b>	
Net investment in capital assets	736,233
Restricted net position	530,484
Unrestricted net position	1,012,159
Total net position	2,278,876
Total liabilities and net position	\$ 2,582,388

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>Functions/Programs</b>					
Governmental Activities					
Education	\$ 2,297,316	\$ -	\$ 3,824,471	\$ 451,338	\$ 1,978,493
Administration and governing board	748,319	98,572	-	-	(649,747)
Residential	4,806	-	-	-	(4,806)
Facilities, operation, and maintenance	1,150,405	-	-	-	(1,150,405)
Transportation	550,313	-	-	-	(550,313)
COVID-19 related	8,725	-	-	-	(8,725)
Custodial Fund	320,117	263,319	-	-	(56,798)
Total Governmental Activities	<u>5,080,001</u>	<u>361,891</u>	<u>3,824,471</u>	<u>451,338</u>	<u>(442,301)</u>
General Revenues (Expenses)					
Interest expense					(335)
Interest income					7,340
Plan recoveries					51,434
Total general revenues					<u>58,439</u>
Change in net position					<u>(383,862)</u>
Net position, beginning of year					<u>2,662,738</u>
<b>Net position, End of Year</b>					<u><u>\$ 2,278,876</u></u>

The accompanying notes are an integral part of these financial statements.

## FUND FINANCIAL STATEMENTS

## GOVERNMENTAL FUNDS

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2025**

		General Fund
<b>Assets</b>		
Cash	\$	1,134,360
Due from grantor		120,383
Prepaid items		28,227
Total assets		1,282,970
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable		200,844
Accrued liabilities		17,348
Total liabilities		218,192
<b>Fund balance</b>		
Nonspendable		28,227
Unassigned		1,036,551
Total fund balance		1,064,778
Total liabilities and fund balance	\$	1,282,970
Amounts reported for <i>governmental activities</i> in the statement of net position are different because capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		743,835
Some liabilities, including long-term liabilities, and interest payable, are not due and payable in the current period and, therefore, are not reported in the funds.		(60,221)
The Internal Services Fund is used by management to charge the cost of insurance to the individual funds. The assets and liabilities of the Internal Service Fund are included in the statement of net position.		530,484
Net position of governmental activities	\$	2,278,876

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCES –**  
**GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>General Fund</u>
 <b>Revenues</b>	
Federal grant revenue	\$ 4,275,809
Local grant revenue	<u>98,572</u>
Total revenues	<u>4,374,381</u>
 <b>Expenditures</b>	
Education	2,231,652
Administration and governing board	748,319
Residential	315
Facilities, operation, and maintenance	1,098,188
Transportation	529,823
COVID-19 related	1,169
Capital outlay	451,338
Debt service	
Principal retirement	9,315
Interest and fiscal charges	<u>335</u>
Total expenditures	<u>5,070,454</u>
Net change in fund balance	<u>(696,073)</u>
Fund balance, beginning of year	<u>1,760,851</u>
<b>Fund Balance, End of Year</b>	<b><u><u>\$ 1,064,778</u></u></b>

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN**  
**FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2025**

**Net change in fund balances - governmental funds** \$ (696,073)

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those capital assets is allocated over their estimated useful lives as depreciation expense.

In the current period these amounts are:

Capital outlay	\$ 451,338	
Depreciation expense	(106,828)	
Current year amortization	<u>(16,577)</u>	
		<u>327,933</u>

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Vacation accrual	\$ (27,013)	
Current year lease payments	<u>9,315</u>	
		<u>(17,698)</u>

The Internal Services Fund is used by management to charge the cost of insurance to the individual funds. The change in net position of the Internal Service Fund are reported with governmental activities in the Statement of Activities.

1,976

**Change in net position of governmental activities** \$ (383,862)

PINON COMMUNITY SCHOOL BOARD, INC.  
STATEMENT OF NET POSITION - PROPRIETARY FUND  
JUNE 30, 2025

	Governmental Activities Internal Service Fund
<b>Assets</b>	
Current assets	
Restricted cash	\$ 555,583
Total assets	555,583
 <b>Liabilities and Net Position</b>	
Current liabilities	
Claims payable	25,099
Total liabilities	25,099
 <b>Net Position</b>	
Restricted net position	530,484
Total net position	530,484
Total liabilities and net position	\$ 555,583

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**– PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Governmental Activities Internal Service Fund
<b>Operating Revenues</b>	
Contributions	\$ 263,319
Total operating revenues	263,319
 <b>Operating Expenses</b>	
Claims	178,316
Premiums	68,948
Administrative fees	21,419
Total operating expenses	268,683
Operating income (loss)	(5,364)
 <b>Nonoperating Revenues</b>	
Interest income	7,340
Total nonoperating revenues	7,340
Change in net position	1,976
Net position, beginning of year	528,508
<b>Net Position - End of Year</b>	<b>\$ 530,484</b>

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**STATEMENT OF CASH FLOWS – PROPRIETARY FUND**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	Governmental Activities Internal Service Fund
<b>Cash Flows From (Used for) Operating Activities</b>	
Cash received from contributions	\$ 263,319
Cash paid for claims	(166,707)
Cash paid to suppliers for services	(90,367)
Net cash provided by operating activities	6,245
 <b>Cash Flows From Investing Activities</b>	
Interest income	7,340
Net cash from investing activities	7,340
 <b>Net Change in Cash</b>	13,585
<b>Restricted Cash, Beginning of Year</b>	541,998
<b>Restricted Cash, End of Year</b>	555,583
 <b>Reconciliation of Net Operating Loss to Net Cash From Operating Activities</b>	
Net operating loss	(5,364)
Adjustments to reconcile loss to net cash used for operating activities:	
Changes in assets and liabilities	
Claims payable	11,609
Net cash used for operating activities	\$ 6,245

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Custodial Funds</u>
<b>Assets</b>	
Cash	\$ 16,446
Total assets	<u>16,446</u>
<b>Net Position</b>	
Restricted for student groups	<u>16,446</u>
Total net position	<u><u>\$ 16,446</u></u>

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FOR THE YEAR ENDED JUNE 30, 2025**

	<u>Custodial Funds</u>
<b>Additions</b>	
Contributions	\$ -
Total additions	-
 <b>Deductions</b>	
Payments to students	-
Total deductions	-
Change in net position	-
Net position, beginning of year	16,446
<b>Net Position - End of Year</b>	<b>\$ 16,446</b>

The accompanying notes are an integral part of these financial statements.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

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

The financial statements of the Pinon Community School Board, Inc. (the "School") have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

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

**A. Reporting Entity**

The School was established as a Bureau of Indian Affairs grant School and is located on the Navajo Indian Reservation in northern Arizona. The School provides educational and residential services to Navajo children in grades K through 12. The School receives funding from the federal government and other sources. The School is operated as a Navajo governmental organization under the direction of an elected Board of Directors.

The Board of Directors consists of four voting members elected by Pinon community members. The 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 establishment of a system of accounting and budgetary controls.

The School is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Consequently, the School's financial statements include only the funds of those organizational entities for which its elected governing board is financially accountable. The School's major operations include education, student transportation, construction, and maintenance of School facilities, residential, administration, and food services.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the School as a whole. The reported information includes all the non fiduciary activities of the School. For the most part, the effect of internal activity has been removed from these statements.

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

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**B. Government-Wide and Fund Financial Statements - Cont'd**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

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

**Fund Financial Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. Compensated absences are recorded only when payment is due. Lease liabilities are incurred once a right of use or SBITA agreement has been entered into.

Federal aid and investment income associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Food services and miscellaneous revenues are not susceptible to accrual because they are not measurable until received in cash. Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The school presents one major fund. The internal service fund is presented in a single column on the face of the proprietary fund statements. The School presents one fiduciary fund, the custodial fund.

The School reports the following major governmental fund:

**General Fund** - The General Fund is the School's primary operating fund. It accounts for resources received by the School from the Departments of Interior and education. Its main function is to provide education, administration, facilities, and residential care to Navajo Children.

Additionally, the School reports the following funds:

**Proprietary Fund** - The School maintains one type of Proprietary Fund. The Internal Service Fund is an accounting device used to accumulated and allocate costs internally among the School's various functions. The School uses its Internal Service Fund to account for its self insurance activities.

**Custodial Fund** - The School also reports fiduciary (custodial) funds, which account for resources held by the School on behalf of others. This fund type includes the Student Activities Fund, which accounts for monies raised by students to finance student clubs and organizations held by the School as an agent.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - Cont'd**

The Proprietary Fund financial statements are reported using the economic resources measurement focus and accrual basis of accounting and are presented in a single column.

Proprietary Funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School's internal service funds consist of charges for health and welfare benefits and billings to the School's departments services. Operating expenses of the internal service fund include the costs of services provided, as well as administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Custodial Fund is reported on the accrual basis of accounting.

**D. Cash**

Cash at year end consisted of cash in bank and cash with trustee.

**E. Interest Income**

Interest income is included in nonoperating revenues in the proprietary fund financial statements.

**F. Prepaid Items**

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

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**G. Capital Assets**

Capital assets, which include vehicles, machinery, and equipment, are reported in the government-wide financial statements.

Capital assets are defined by the School as assets with an initial, individual cost in excess of \$5,000 and an estimated useful life of more than one year. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at the estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized.

The School has recorded right to use lease assets as a result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

The School has recorded Right-to-use SBITA assets as a result of implementing GASB 96. The subscription asset is initially measured as the initial measurement of the subscription liability, adjusted for payments associated with the SBITA contract made to the vendor at the commencement of the subscription term, plus any capitalizable initial implementation costs, less any vendor incentives received at the commencement of the subscription term. Subsequently, the subscription asset is amortized on a straight-line basis over the shorter of the useful life of the IT asset or subscription term.

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

Assets	Years
Building improvements	10 years
Vehicles	7 years
Machinery and equipment	7-10 years
Right-to use assets - lease and SBITA	Lease term

**H. Compensated Absences**

The School's employee vacation and sick leave policies 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.

**I. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**J. Leases**

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

**K. Lease Liabilities**

The School adopted the changes to conform to the provisions of GASB 87 Implementation Guide. Lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. The School has leases primarily for office equipment. The lease liability is measured at the present value of the remaining lease payments, using a discount rate based on the rate implicit in the lease, if readily determinable. Otherwise, the School uses its incremental borrowing rate at commencement date to determine the present value of future payments.

**L. Subscription-Based Information Technology Arrangements**

The School is party to a subscription-based information technology arrangement (SBITAs). The School recognizes an intangible right-to-use SBITA asset in the government-wide statements. The governmental funds report SBITA current expenditures in the fund level statement of revenues, expenditures, and changes in fund balance. For SBITAs with a maximum possible term of 12 months or less at commencement, the School recognizes expenditures based on the provisions of the arrangement.

Key estimates and judgments related to SBITAs include how the School determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) the subscription term, and (3) the subscription payments.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONT'D**

**L. Subscription-Based Information Technology Arrangements – Cont'd**

The School uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate. The subscription term includes the noncancellable period during which the School has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend if reasonably certain the School or vendor will exercise that option or to terminate if it is reasonably certain that the School or vendor will not exercise that option. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

The School monitors changes in circumstances that would require a remeasurement of a SBITA and will remeasure the subscription asset and subscription liability if certain changes occur that are expected to significantly affect the amount of the subscription liability. Subscription assets are reported with intangible capital assets on the statement of net position.

**M. Net Position Flow Assumption**

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

**N. 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.

**O. Budgetary Data**

An annual budget is not adopted by the School's Board of Directors and adoption of an annual budget is not legally required. Budgets for individual grants are submitted with original requests for funding through the approval of the Board of Directors. Modifications are made to these budgets as funding levels are changed or as program requirements change. The individual grant budgets are not aggregated to create an annual budget. Therefore, a budgetary comparison schedule is not presented.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 - FUND BALANCE CLASSIFICATIONS**

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

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

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

***Committed.*** The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action of the Board of Directors. Those committed amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. The School does not have a formal policy or procedures for the utilization of committed fund balance. Accordingly, no committed fund balance amounts are reported.

***Assigned.*** Amounts in the assigned fund balance classification are intended to be used by the School for specific purposes but do not meet the criteria to be classified as restricted or committed. In the governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board of Directors or a management official delegated that authority by the formal Board of Directors action. The School does not have a formal policy or procedures for the utilization of assigned fund balance. Accordingly, no assigned fund balance amounts are reported.

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

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 2 - FUND BALANCE CLASSIFICATIONS - CONT'D**

The School applies restricted resources first when outlays are incurred for purposes for which either restricted or committed, assigned, and unassigned amounts are available. Similarly, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any fund balance classification could be used.

The table below provides detail of the major component of the School's fund balance classifications at year end.

	<u>General Fund</u>
Fund Balance:	
Nonspendable	\$ 28,227
Unassigned	1,036,551
Total fund balance	\$ 1,064,778

**NOTE 3 - CASH**

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of bank failure the School's deposits may not be returned to the School. At year end, the carrying amount of the School's deposits was \$1,689,943 and a bank balance of \$1,809,587. Of the bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation, and the balance of \$1,004,004 was covered by collateral agreements with Wells Fargo. \$555,583 was held by the self-insurance pool. A cash balance of \$16,446, pertains to fiduciary funds, which are not included in the government-wide financial statements.

**NOTE 4 - DUE FROM GRANTOR**

Due from grantor as of year-end for the School's General Fund was \$120,383 due from the federal government. The amount represents federal drawdowns that were approved in the current year and received after year-end.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 5 - CAPITAL ASSETS**

A summary of tangible capital asset activity for the fiscal year ended June 30, 2025, was as follows:

<u>Governmental Activities</u>	<u>Balance at 6/30/2024</u>	<u>Additions</u>	<u>Balance at 6/30/2025</u>
<u>Capital assets being depreciated:</u>			
Buildings and improvements	\$ 346,843	\$ -	\$ 346,843
Furniture and equipment	475,931	132,279	608,210
Vehicle	54,577	319,059	373,636
Total capital assets being depreciated	<u>877,351</u>	<u>451,338</u>	<u>1,328,689</u>
<u>Right-of-use assets</u>			
Leased equipment	41,202	-	41,202
Total right-of-use assets being amortized	<u>41,202</u>	<u>-</u>	<u>41,202</u>
<u>Less: accumulated depreciation</u>			
Buildings and improvements	(126,154)	(31,158)	(157,312)
Furniture and equipment	(309,437)	(37,621)	(347,058)
Vehicle	(49,465)	(38,049)	(87,514)
Total accumulated depreciation	<u>(485,056)</u>	<u>(106,828)</u>	<u>(591,884)</u>
Total depreciated assets, net	<u>392,295</u>	<u>344,510</u>	<u>736,805</u>
<u>Less: accumulated amortization</u>			
Leased equipment	(26,411)	(9,021)	(35,432)
Total accumulated amortization	<u>(26,411)</u>	<u>(9,021)</u>	<u>(35,432)</u>
Total capital assets	<u>\$ 407,086</u>	<u>\$ 335,489</u>	<u>\$ 742,575</u>

A summary of intangible capital asset activity for the fiscal year ended June 30, 2025, was as follows:

<u>Governmental Activities</u>	<u>Balance at 6/30/2024</u>	<u>Additions</u>	<u>Balance at 6/30/2025</u>
<u>Intangible capital assets</u>			
SBITA	\$ 22,669	\$ -	\$ 22,669
Total intangible capital assets being amortized	<u>22,669</u>	<u>-</u>	<u>22,669</u>
<u>Less: accumulated amortization</u>			
SBITA	(13,853)	(7,556)	(21,409)
Total accumulated amortization	<u>(13,853)</u>	<u>(7,556)</u>	<u>(21,409)</u>
Total intangible capital assets	<u>\$ 8,816</u>	<u>\$ (7,556)</u>	<u>\$ 1,260</u>

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 5 - CAPITAL ASSETS - CONT'D**

Depreciation and amortization expense was charged to the following governmental functions below:

Depreciation expense was charged to governmental activities as follows:	
Facilities	\$ 45,655
Transportation	20,490
Residential	4,491
Education	<u>36,192</u>
Total depreciation expense - governmental activities	<u>\$ 106,828</u>
Amortization expense was charged to governmental activities as follows:	
Operation and maintenance of plant services	\$ 1,230
Education	2,459
COVID-19 related	7,556
Administration and governing board	<u>5,332</u>
Total amortization expense - governmental activities	<u>\$ 16,577</u>

**NOTE 6 - CHANGES IN LONG-TERM LIABILITIES**

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

Governmental Activities	Balance 6/30/2024	Increases	Balance 6/30/2025	Amount Due Within One Year
Compensated absences	<u>\$ 26,866</u>	<u>\$ 27,013</u>	<u>\$ 53,879</u>	<u>\$ 53,879</u>

**NOTE 7 - LEASE LIABILITIES**

The School has entered into agreements to lease equipment. The lease agreements qualify as other than short-term leases under GASB 87 and, therefore, have been recorded at the present value of the future minimum lease payments as of the date of their inception.

1) Copier equipment: The agreements were executed in January and March 2021 to lease equipment and require 60 monthly payments of \$389 and \$361, respectively. There are no variable payment components of the lease. The lease liability is measured using the School's incremental borrowing rate at the commencement date.

2) Postage equipment: The agreement was executed in September 2021 to lease postage equipment and requires 20 quarterly payments of \$164. The lease liability is measured using the School's incremental borrowing rate at the commencement date.

Change in right-to-use lease liability for the year ended June 30, 2025, is summarized as follows:

Governmental Activities	Balance at 6/30/2024	Amortization	Balance at 6/30/2025	Amount Due Within One Year
Lease liability	<u>\$ 15,657</u>	<u>\$ (9,315)</u>	<u>\$ 6,342</u>	<u>\$ 6,178</u>

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 7 - LEASE LIABILITIES - CONT'D**

The future minimum payments schedule at year end, was as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2026	\$ 6,178	\$ 56
2027	164	-
	\$ 6,342	\$ 56

**NOTE 8 - CONTINGENT LIABILITIES**

**Compliance** - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the School expects such amounts, if any, to be immaterial.

**Lawsuits** - The School is not a party to any types of lawsuits as of year end but may become party to them of which normally occur in governmental operations. The ultimate outcome of the actions is not determinable; however, School management believes that the outcome of any proceedings, either individually or in the aggregate, will not have a materially adverse effect on the accompanying financial statements.

**NOTE 9 - RISK MANAGEMENT**

The School 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 School carries commercial insurance for all risks of loss, including property and liability, and workers' compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

The School established an Employee Benefits Fund (an Internal Service Fund) to account for and finance its uninsured risks of loss related to employee health claims. Under this program, the Fund provides coverage for up to a maximum of \$25,000 for each claim, not to exceed an annual aggregate of \$1,000,000. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded this coverage in any of the past three fiscal years. Liabilities of the fund are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and number of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2025**

**NOTE 9 - RISK MANAGEMENT - CONT'D**

Estimated recoveries, for example from salvage or subrogation, are another component of the claim's liability estimate. Changes in the balance of claims liabilities during the past two years are as follows:

<b>Employee Benefits</b>	<b>Claims Payable</b>	<b>Current Year Claims</b>	<b>Claims Payments</b>	<b>Claims Payable at End of Year</b>
2024-2025	\$ 13,490	\$ 178,316	\$ 166,707	\$ 25,099

**NOTE 10 - ECONOMIC DEPENDENCY**

The School's revenue sources are based primarily on federal financial assistance subject to availability of funds and the School's compliance with federal rules and regulations.

**NOTE 11 – PENSIONS AND OTHER POSTEMPLOYMENT BENEFITS**

The School adopted a defined contribution retirement plan qualifying under the Internal Revenue Code Section 401(k). The Pinon Community School Board's 401(k) Profit Sharing Plan is administered by Alliance Benefit Group Southwest, LLC, under the direction of the Retirement Committee. The Pinon Community School Retirement Committee is the Plan Administrator. Eligibility requirements for the salary deferral component of the Plan are met on the date an employee is hired, provided they have attained age 18. Eligibility requirements for the employer matching component of the Plan are met after attainment of age 18 and completion of three months of service. Participating employee contributions are vested immediately, with employer matching contributions vesting over a period of three years. The employer and employee contributions to the plan in 2025 were \$126,592 and \$121,213, respectively.

**NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS**

Management has evaluated subsequent events through March 30, 2026, the date the financial statements were available to be issued, and has determined that no adjustments are necessary to the amounts reported in the accompanying financial statements, nor have any subsequent events occurred, the nature of which would require disclosure.

## SUPPLEMENTARY INFORMATION

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2025**

Federal Grantor/Program Title	Federal Assistance Listing Number	Federal Award Number or Other Identifying Number	Federal Expenditures
<b>FEDERAL PROGRAMS</b>			
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through Arizona Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553		\$ 21,232
National School Lunch Program	10.555		74,393
Total Child Nutrition Cluster			<u>95,625</u>
Total U.S. Department of Agriculture			<u>95,625</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>			
Indian School Equalization	15.042	A24AV00683	1,794,116
Indian School Student Transportation	15.044	A24AV00683	728,205
Administrative Cost Grants for Indian School	15.046	A24AV00683	726,395
Indian Education Facilities, Operations, and Maintenance	15.047	A24AV00683	1,092,544
Replacement and Repair of Indian Schools	15.062	A24AV00683	73,610
Total U.S. Department of the Interior			<u>4,414,870</u>
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Special Education Cluster			
Special Education - Grants to States	84.027	A24AV00683	84,936
Total Special Education Cluster			<u>84,936</u>
Title I Grants to Local Education Agencies	84.010	A24AV00683	365,233
Teacher Quality Partnership Grants	84.336	A24AV00683	15,819
Student Support and Academic Enrichment	84.424	A24AV00683	12,834
COVID-19 - Education Stabilization Fund	84.425	A24AV00683	1,169
Indian Education - Special Programs for Indian Children	84.299A	A24AV00683	23,336
Rural Education	84.358A	A24AV00683	73
Indian Education Grants to Local Education	84.060A	A24AV00683	200
Total U.S. Department of Education			<u>503,600</u>
<b>TOTAL FEDERAL PROGRAMS</b>			<u>\$ 5,014,095</u>

See the accompanying notes to schedule of expenditures of federal awards.

**PINON COMMUNITY SCHOOL BOARD, INC.**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**JUNE 30, 2025**

**NOTE 1 - BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Pinon Community School Board, Inc. (the "School"). under programs of the federal government for the year ended June 30, 2025. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position or cash flows of the School.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the applicable Uniform Guidance cost principles, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

**NOTE 3 – INDIRECT COST RATE**

The School has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**NOTE 4 – RECONCILIATION TO THE FUND FINANCIAL STATEMENTS**

The following is a reconciliation of grant revenue reported in the financial statements to expenditures reported in the schedule of expenditures of federal awards:

Total expenditures per schedule of expenditures of federal awards		\$ 5,014,095
Less: Expenditures charged to federal awards for which revenue recognition criteria has not been met		<u>(738,286)</u>
Federal revenue on statement of revenues, expenditures, and changes in fund balance		<u><u>\$ 4,275,809</u></u>

## COMPLIANCE SECTION

INDEPENDENT AUDITOR’S 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*

To the Board of Directors  
Pinon Community School Board, Inc.  
Pinon, Arizona

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, the fiduciary activities, and the aggregate remaining fund information of the Pinon Community School Board, Inc. (the “School”), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School’s basic financial statements and have issued our report thereon dated March 30, 2026.

**Report on Internal Control over Financial Reporting**

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

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

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

**Report on Compliance and Other Matters**

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

**Pinon Community School Board Inc. Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

**Purpose of This Report**

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

*Jonathan Cushman, CPA LLC*

Longview, Washington  
March 30, 2026

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors  
Pinon Community School Board, Inc.  
Pinon, Arizona

***Opinion on Each Major Federal Program***

We have audited the Pinon Community School Board, Inc. (the "School")'s compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the School's major federal programs for the year ended June 30, 2025. The School's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

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

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

We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the School's compliance with the compliance requirements referred to above.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the School's federal programs.

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the School's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the School's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the School's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the School's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control over compliance. Accordingly, no such opinion is expressed.

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Jonathan Cushman, CPA LLC*

Longview, Washington  
March 30, 2026

**PINON COMMUNITY SCHOOL BOARD, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**SECTION I - SUMMARY OF AUDITOR'S RESULTS**

**Financial Statements**

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance in accordance with major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with <i>Uniform Guidance 2 CFR 200.516(a)</i> ?	No

**Identification of Major Federal Programs:**

<u><i>Federal Assistance Listing Number</i></u>	<u><i>Name of Major Federal Program of Cluster</i></u>
15.047	Indian Education Facilities, Operations, and Maintenance
84.010	Title 1 Grants to Local Education Agencies

Dollar threshold used to distinguish between Type A and Type B programs.	\$ 750,000
Auditee qualified as low-risk auditee?	Yes

**PINON COMMUNITY SCHOOL BOARD, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**SECTION II - FINANCIAL STATEMENT FINDING**

There are no financial statement findings to be reported in accordance with *Government Auditing Standards*.

**SECTION III - FEDERAL AWARD FINDING AND QUESTIONED COSTS**

There are no federal award findings to be reported in accordance with the Uniform Guidance.

**PINON COMMUNITY SCHOOL BOARD, INC.  
STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

The School had no finding noted in the prior year that requires a status.