

PINON COMMUNITY SCHOOL BOARD, INC.

AUDITED FINANCIAL STATEMENTS
AND

UNIFORM GUIDANCE

JUNE 30, 2023



PINON COMMUNITY SCHOOL BOARD, INC.
TABLE OF CONTENTS
JUNE 30, 2023

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)	4
BASIC FINANCIAL STATEMENTS	
Government-Wide Financial Statements	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements	
Governmental Funds	
Balance Sheet - Governmental Funds	12
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	15
Proprietary Funds	
Statement of Net Position - Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Funds	17
Statement of Cash Flows - Proprietary Funds	18
Fiduciary Funds	
Statement of Fiduciary Net Position - Fiduciary Funds	19
Statement of Changes in Fiduciary Net Position - Fiduciary Funds	20
Notes to Basic Financial Statements	21
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	33
Notes to Schedule of Expenditures of Federal Awards	34
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 <i>Government Auditing Standards</i>	35
Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Awards Required by the Uniform Guidance	37
Schedule of Findings and Questioned Costs	40
Status of Prior Year Findings and Questioned Costs	42

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, each major fund, and the aggregate remaining fund information of Pinon Community School Board, Inc. (the "School") as of and for the year ended June 30, 2023, 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, each major fund, and the aggregate remaining fund information of the School as of June 30, 2023, and the respective changes in financial 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.

Change in Accounting Principle

As described in Note 1, the School implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements, for the year ended June 30, 2023, which represents a change in accounting principle. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2024, 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 the School's internal control over financial reporting and compliance.

Harshmal & Company LLP

Albuquerque, New Mexico
March 28, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
(Required Supplementary Information)

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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 \$799,096 which represents decrease from the prior fiscal year as a result of increase in expenses related to governmental activities.
- General revenues accounted for \$5,961 in revenue. Program specific revenue in the form of charges for services and grants and contributions accounted for \$4.0 million or nearly 99.85 percent of total current fiscal year revenues.
- The School had approximately \$4.8 million in expenses related to governmental activities, which represents an increase from the prior fiscal year as result of increase in education, Administration and governing board and residential, Facilities, operation and maintenance, and transportation expenses.
- Among major funds, the General Fund had \$3.7 million in current fiscal year revenues, which primarily consisted of federal grants, and \$4.7 million in expenditures. The General Fund's fund balance decreased from \$3,085,426 at the prior fiscal year end to \$2,126,054 at the end of the current fiscal year was primarily due to increase in expenditures in the current fiscal year.
- Net position for the Internal Service Fund increased by \$93,134 from prior fiscal year primarily due to decrease in claims. Operating revenues of \$298,459 was at a surplus to operating expenses of \$211,286 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, liabilities, and deferred inflows/outflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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, 2023

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 accumulated 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 \$2,799,383 at the current fiscal year end.

A portion of the School's net position reflects its investment in capital assets (e.g., vehicles, machinery, and equipment), less 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 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, 2023

The following table presents a summary of the School's net position for the fiscal year ended June 30, 2023, and June 30, 2022:

TABLE 1
Statement of Net Position

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
ASSETS		
Current and other assets	\$ 2,582,333	\$ 3,481,590
Noncurrent assets	<u>342,568</u>	<u>284,000</u>
Total assets	<u>2,924,901</u>	<u>3,765,590</u>
LIABILITIES		
Current and other liabilities	109,860	140,204
Long-term liabilities	<u>15,658</u>	<u>26,907</u>
Total liabilities	<u>125,518</u>	<u>167,111</u>
NET POSITION		
Net investment in capital assets	317,894	284,000
Restricted	4,290,436	-
Unrestricted	<u>(1,808,947)</u>	<u>3,314,479</u>
Total net position	<u>\$ 2,799,383</u>	<u>\$ 3,598,479</u>

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

The School's financial position is the product of several financial transactions including the net result of activities, the acquisition and disposal of capital assets, and the depreciation of capital assets. The following is a significant current year transaction that has had an impact on the statement of net position:

- The decrease of \$749,587 in cash and investments due to increase in expenses.
- The decrease of \$94,500 in due from governmental entities due to current period funding allocation distribution.

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

Changes in net position - The School's total revenues for the current fiscal year were \$4.0 million. The total cost of all programs and services was \$4.8 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2023, and June 30, 2022.

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

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Revenues:		
Program revenues:		
Charges for services	\$ 63,466	\$ 58,866
Operating grant and contributions	3,954,371	3,703,651
General revenues:		
Investment income	<u>5,961</u>	<u>828</u>
Total revenues	<u>4,023,798</u>	<u>3,763,345</u>
Expenses:		
Education	2,266,104	1,893,220
Administration and governing board	649,716	518,624
Residential	25,366	6,950
Facilities, operation, and maintenance	1,245,140	1,010,154
Transportation	396,992	281,535
COVID-19 related	<u>239,576</u>	<u>382,686</u>
Total expenses	<u>4,822,894</u>	<u>4,093,169</u>
Change in net position	(799,096)	(329,824)
Net position, beginning	<u>3,598,479</u>	<u>3,928,303</u>
Net position, ending	<u>\$ 2,799,383</u>	<u>\$ 3,598,479</u>

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

- The increase of \$0.3 million in operating grants and contributions was due to increase in federal funding allocations.
- The increase of \$0.7 million in total expenses due to increase in education, facilities, operation, and maintenance, and transportation expenses.

PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023

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).

	<u>Year Ended June 30, 2023</u>		<u>Year Ended June 30, 2022</u>	
	<u>Total</u>	<u>Net</u>	<u>Total</u>	<u>Net</u>
Education	\$ 2,266,104	\$ (298,620)	\$ 1,893,220	\$ (50,057)
Administration and governing board	649,716	(99,034)	518,624	(17,836)
Residential	25,366	46,308	6,950	48,155
Facilities, operation and maintenance	1,245,140	(171,294)	1,010,154	(40,217)
Transportation	396,992	(42,841)	281,535	59,789
COVID-19 Related	<u>239,576</u>	<u>(239,576)</u>	<u>382,686</u>	<u>(330,486)</u>
Total	<u>\$ 4,822,894</u>	<u>\$ (805,057)</u>	<u>\$ 4,093,169</u>	<u>\$ (330,652)</u>

- The cost of all governmental activities this year was \$4.8 million.
- The federal government and charges for services subsidized certain programs with grants and contributions and other local revenues of \$4,017,837.

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 \$2,126,054 a decrease of \$959,372 primarily due to increase in expenditures.

The General Fund comprise all of the total fund balances. In the Fund balance categories, the restricted fund balance is \$4,290,436, designated for future school federal expenditures. The non-spendable fund balance and unassigned fund balance are \$14,697, and \$(2,179,079) respectively.

The General Fund is the principal operating fund of the School. The decrease in fund balance from \$3,085,426 to \$2,126,054 as of fiscal year end was a result of increase in expenditures. General Fund revenues increased by \$247,422. This was a result of increase of federal funding allocation. General Fund expenditures increased by \$764,580 due to increase in education, facilities, operation, and maintenance, and transportation expenses.

Proprietary Funds - Unrestricted net position of the Internal Service Fund at the end of the fiscal year amounted to \$370,226. This represents an increase of \$93,134 from the prior fiscal year primarily due to increased contributions and, decrease in claim and administrative fees compared to prior year.

**PINON COMMUNITY SCHOOL BOARD, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
FOR THE YEAR ENDED JUNE 30, 2023**

CAPITAL ASSETS

At year end, the School had invested \$317,894 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 \$33,894 from the prior fiscal year. Total depreciation and amortization expense for the current fiscal year was \$51,934. The net capital asset balance was \$317,894 on June 30, 2023, and \$284,000 on June 30, 2022. 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, 2023

	<u>Governmental Activities</u>
ASSETS	
Current assets:	
Cash and investments	\$ 2,548,185
Due from governmental entities	19,451
Prepaid items	14,697
Total current assets	2,582,333
Noncurrent assets:	
Tangible capital assets	738,784
Less: accumulated depreciation	(436,399)
Total tangible capital assets, net	302,385
Intangible capital assets - Right-to-use leased assets	41,202
Intangible capital assets - Right-to-use SBITA assets	22,669
Less: accumulated amortization	(23,688)
Total intangible capital assets, net	40,183
Total noncurrent assets	342,568
Total assets	2,924,901
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	46,143
Claims payable	18,912
Accrued payroll and employee benefits	20,998
Lease liability - current portion	9,016
Compensated absences payable - current portion	14,791
Total current liabilities	109,860
Noncurrent liabilities:	
Lease liability, net of current portion	15,658
Total noncurrent liabilities	15,658
Total liabilities	125,518
NET POSITION	
Net investment in capital assets	317,894
Restricted	4,290,436
Unrestricted	(1,808,947)
Total net position	\$ 2,799,383

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, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental activities:				
Education	\$ 2,266,104	\$ -	\$ 1,967,484	\$ (298,620)
Administration and governing board	649,716	5,682	545,000	(99,034)
Residential	25,366	57,784	13,890	46,308
Facilities, operation and maintenance	1,245,140	-	1,073,846	(171,294)
Transportation	396,992	-	354,151	(42,841)
COVID-19 related	239,576	-	-	(239,576)
Total governmental activities	<u>\$ 4,822,894</u>	<u>\$ 63,466</u>	<u>\$ 3,954,371</u>	<u>(805,057)</u>
General revenues:				
Interest income				<u>5,961</u>
Total general revenues				<u>5,961</u>
Changes in net position				(799,096)
Net position, beginning of year				<u>3,598,479</u>
Net position, end of year				<u>\$ 2,799,383</u>

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

FUND FINANCIAL STATEMENTS

PINON COMMUNITY SCHOOL BOARD, INC.
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2023

	General
ASSETS	
Current assets:	
Cash and investments	\$ 2,159,047
Due from governmental entities	19,451
Prepaid items	14,697
Total assets	2,193,195
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Current liabilities:	
Accounts payable and accrued liabilities	46,143
Accrued payroll and employee benefits	20,998
Total liabilities	67,141
FUND BALANCES	
Nonspendable	14,697
Restricted	4,290,436
Unassigned	(2,179,079)
Total fund balances	2,126,054
Total liabilities and fund balances	\$ 2,193,195

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

PINON COMMUNITY SCHOOL BOARD, INC.
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS TO THE STATEMENT
OF NET POSITION
JUNE 30, 2023

Total fund balances - governmental funds		\$ 2,126,054
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</p>		
Tangible capital assets	738,784	
Less accumulated depreciation	<u>(436,399)</u>	302,385
Intangible capital assets - Right-to-use leased assets	41,202	
Intangible capital assets - Right-to-use SBITA assets	22,669	
Less accumulated amortization	<u>(23,688)</u>	40,183
<p>Liabilities are not due or payable in the current period and, therefore, are not reported in the governmental funds.</p>		
Lease liability (GASB 87)		(24,674)
Compensated absences payable		(14,791)
<p>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.</p>		
		<u>370,226</u>
Net position - governmental activities		<u>\$ 2,799,383</u>

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

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	General
REVENUES:	
Federal aid, grants and reimbursements	\$ 3,655,912
Other Local	63,466
Total revenues	3,719,378
EXPENDITURE:	
Current:	
Education	2,132,428
Administration and governing board	650,180
Residential	15,534
Facilities, operation and maintenance	1,154,200
Transportation	375,743
COVID-19 related	233,279
Capital outlay	110,502
Debt service:	
Principal	8,727
Interest	923
Total expenditures	4,681,516
Revenues over (under) expenditures before other financing sources (uses)	(962,138)
OTHER FINANCING SOURCES (USES):	
Issuance of long-term leases	2,766
Total other financing sources (uses)	2,766
Net changes in fund balances	(959,372)
Fund balances, beginning of year	3,085,426
Fund balances, end of year	\$ 2,126,054

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

PINON COMMUNITY SCHOOL BOARD, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023

Net changes in fund balances - governmental funds		\$ (959,372)
Amounts reported for governmental activities in the statement of activities are different because :		
Governmental funds report the portion of capital outlay for capitalized assets as expenditures. However, in the Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense		
Expenditure for capitalized assets	85,067	
Less: Depreciation expenses	<u>(36,616)</u>	48,451
Right-to-use leased asset capital outlay expenditures which were capitalized	2,766	
Right-to-use SBITA asset capital outlay expenditures which were capitalized	22,669	
Less: Amortization expenses	<u>(15,318)</u>	10,117
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Issuance of long-term leases	(2,766)	
Principal retirements	<u>8,727</u>	5,961
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		2,613
The Internal Service Fund is used by management to charge the cost of insurance to the individual funds. The changes in net position of the Internal Service Fund is reported with governmental activities in the Statement of Activities.		
		<u>93,134</u>
Changes in net position of governmental activities		<u>\$ (799,096)</u>

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

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2023

	<u>Governmental Activities Internal Service Funds</u>
ASSETS	
Current assets:	
Cash and investments	\$ <u>389,138</u>
Total current assets	<u>389,138</u>
Total assets	<u>389,138</u>
LIABILITIES	
Current liabilities:	
Claims payable	<u>18,912</u>
Total current liabilities	<u>18,912</u>
Total liabilities	<u>18,912</u>
NET POSITION	
Unrestricted	<u>370,226</u>
Total net position	<u>\$ <u>370,226</u></u>

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 FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	Governmental Activities
	Internal Service Funds
Operating revenues:	
Contributions	\$ <u>298,459</u>
Total operating revenues	<u>298,459</u>
Operating expenses:	
Claims	94,114
Premiums	97,892
Administrative fees	<u>19,280</u>
Total operating expenses	<u>211,286</u>
Operating income (loss)	<u>87,173</u>
Nonoperating revenues:	
Investment income	<u>5,961</u>
Total nonoperating revenues	<u>5,961</u>
Changes in net position	93,134
Total net position, beginning of year	<u>277,092</u>
Total net position, end of year	<u><u>\$ 370,226</u></u>

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

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2023

	<u>Governmental Activities Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from contributions	\$ 298,459
Cash payments to suppliers for goods and services	(117,172)
Cash payments for claims	<u>(99,607)</u>
Net cash provided by operating activities	<u>81,680</u>
Cash flows from investing activities:	
Investment income	<u>5,961</u>
Net cash provided by investing activities	<u>5,961</u>
Net increase/(decrease) in cash and cash equivalents	87,641
Cash and cash equivalents, beginning of year	<u>301,497</u>
Cash and cash equivalents, end of year	<u><u>\$ 389,138</u></u>
 Reconciliation of operating income/loss to net cash provided/used for operating activities	
Operating income/loss	\$ 87,173
Adjustments to reconcile operating income/loss to net cash provided by operating activities:	
Changes in assets and liabilities:	
Decrease in claims payable	<u>(5,493)</u>
Total adjustments	<u>(5,493)</u>
Net cash provided by operating activities	<u><u>\$ 81,680</u></u>

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

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Funds
ASSETS	
Cash and investments	\$ 16,446
Total assets	16,446
LIABILITIES	
Due to student groups	-
Total liabilities	-
NET POSITION	
Restricted for students	16,446
Total net position	\$ 16,446

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

PINON COMMUNITY SCHOOL BOARD, INC.
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2023

	Custodial Funds
ADDITIONS	
Contributions	\$ <u> </u> -
Total Additions	<u> </u> -
DEDUCTIONS	
Administrative expenses	<u> </u> -
Total deductions	<u> </u> -
Net increase (decrease) in fiduciary net position	-
Net position, beginning	-
<i>Adjustment</i>	<u> 16,446</u>
Net position, ending	<u><u> 16,446</u></u>

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Pinon Community School Board, Inc. 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 financial reporting entity consists of a primary government and its component units. A component unit is a legally separate entity that must be included in the reporting entity in conformity with generally accepted accounting principles. The School is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the School for financial statement presentation purposes, and the School, are not included in any other governmental reporting entity. 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 and its component unit. For the most part, the effect of internal activity has been removed from these statements. These statements are to distinguish between the governmental and business-type activities of the School. Governmental activities normally are supported by inter-governmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School does not have any business-type activities.

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

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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.

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. Unearned revenues arise when the School receives resources before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

Other receivables that will not be collected within the available period have been reported as receivable on the governmental fund financial statements.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. The internal service fund is presented in a single column on the face of the proprietary fund statements. Fiduciary funds are reported by fund type.

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 Proprietary Fund is an Internal Service Fund that accounts for activities related to the School's self-insurance program.

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 are charged for health and welfare benefits and charges to School departments for goods and services. Operating expenses for internal service funds include the cost of goods and services and administrative expenses. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Custodial Fund does not have a measurement focus and is reported on the accrual basis of accounting.

D. Cash and Investments

For purposes of the Statement of Cash Flows, the School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash in bank and cash with trustee.

The School's Board of Directors authorizes the School to invest monies in interest bearing savings accounts, money market funds, certificates of deposit and U.S. government securities. All investments are stated at fair value.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments. Investment income is included in other local revenue in the governmental fund financial statements and in nonoperating revenues in the proprietary fund financial statements.

F. Receivables and Payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Interfund balances between governmental funds are eliminated on the Statement of Net Position.

All receivables are shown net of an allowance for uncollectable.

G. Prepaid Items

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

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

H. 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.

Intangible Capital Assets: 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:

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

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position may report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School did not have any items that qualified for reporting in this category.

In addition to liabilities, the statement of financial position may report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The School did not have any items that qualified for reporting in this category.

J. 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. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations, and retirements. Generally, resources from the General Fund are used to pay for compensated absences.

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

K. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. In the fund financial statements, governmental fund types recognize debt issuance costs during the current period. The face amount of debt issued is reported as other financing sources.

L. 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 financial sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds.

M. Leases

Lessee

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 straightline 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.

Lessor

At the commencement of a lease, the School initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

M. Leases - Cont'd

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

- The School uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee

The School monitors changes in circumstances that would require a remeasurement of its leases, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

N. 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 lease primarily for office space and vehicles. 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.

O. 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.

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.

P. 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.

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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

Q. Estimates

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

R. 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.

S. Effects of New Accounting Pronouncements

During the year ended June 30, 2023 the School implemented the provisions of GASB Statement No. 96 Subscription-Based Information Technology Arrangements (SBITAs). This Statement requires that subscription-based information technology arrangements (SBITAs) recognize a liability and intangible assets representing the lessee's right to use the SBITA asset and report in its financial statements amortization expense for using the SBITA asset for the shorter of the lease term or the useful life of the underlying asset, interest expense on the SBITA liability and note disclosures about the SBITA. The School's analysis of SBITAs in effect at beginning of the year resulted in no changes to beginning balances reported in the financial statements due to the implementation of this standard.

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.

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2 - FUND BALANCE CLASSIFICATIONS - CONT'D

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.

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

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

	General Fund
Fund Balances:	
Nonspendable	\$ 14,697
Restricted	4,290,436
Unassigned	<u>(2,179,079)</u>
Total fund balances	<u>\$ 2,126,054</u>

NOTE 3 - CASH AND INVESTMENTS

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 \$2,159,047 and a bank balance of \$2,416,395. Of the bank balance, \$250,000 was covered by Federal Deposit Insurance Corporation, and the balance of \$2,166,395 was covered by collateral agreements with Wells Fargo. \$389,138 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 - RECEIVABLES

Receivable balances, net of allowance for uncollectable, have been disaggregated by type and presented separately in the financial statements with the exception of due from governmental entities. Due from governmental entities, net of allowance for uncollectable, in the aggregate, as of year-end for the School's General Fund was \$19,451 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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS

A summary of tangible capital asset activity for the fiscal year ended June 30, 2023, was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Ending Balance</u>
Capital assets, being not depreciated:				
Construction in progress	\$ 52,000	\$ -	\$ (52,000)	\$ -
Total capital assets being not depreciated	<u>52,000</u>	<u>-</u>	<u>(52,000)</u>	<u>-</u>
Capital assets, being depreciated:				
Buildings and improvements	198,459	88,876	-	287,335
Furniture and equipment	348,681	48,191	-	396,872
Vehicle	<u>54,577</u>	<u>-</u>	<u>-</u>	<u>54,577</u>
Total capital assets being depreciated	<u>601,717</u>	<u>137,067</u>	<u>-</u>	<u>738,784</u>
Less: accumulated depreciation for:				
Buildings and improvements	(77,801)	(21,117)	-	(98,918)
Furniture and equipment	(274,669)	(14,423)	-	(289,092)
Vehicle	<u>(47,313)</u>	<u>(1,076)</u>	<u>-</u>	<u>(48,389)</u>
Total accumulated depreciation	<u>(399,783)</u>	<u>(36,616)</u>	<u>-</u>	<u>(436,399)</u>
Total capital assets being depreciated, net	<u>201,934</u>	<u>100,451</u>	<u>-</u>	<u>302,385</u>
Governmental activities capital assets, net	<u>\$ 253,934</u>	<u>\$ 100,451</u>	<u>\$ (52,000)</u>	<u>\$ 302,385</u>

Depreciation expense was charged to governmental functions as follows:

Operation and maintenance of plant services	\$ (31,012)
Education	<u>(5,604)</u>
Total depreciation expense - governmental activities	<u>\$ (36,616)</u>

Intangible capital assets activity for the year ended June 30, 2023, was as follows:

	<u>Beginning Balance</u>	<u>Increase/ (Decrease)</u>	<u>Ending Balance</u>
Intangible capital asset - right-to-use leased and SBITA			
Right-to-use leased equipment	\$ 38,436	\$ 2,766	\$ 41,202
Right-to-use SBITA assets	<u>-</u>	<u>22,669</u>	<u>22,669</u>
Total intangible capital asset right-to-use leased assets and SBITA	<u>38,436</u>	<u>25,435</u>	<u>63,871</u>
Less: accumulated amortization for:			
Right-to-use leased equipment	(8,370)	(9,021)	(17,391)
Right-to-use SBITA assets	<u>-</u>	<u>(6,297)</u>	<u>(6,297)</u>
Total accumulated amortization	<u>(8,370)</u>	<u>(15,318)</u>	<u>(23,688)</u>
Total intangible capital asset right-to-use leased assets and SBITA	<u>\$ 30,066</u>	<u>\$ 10,117</u>	<u>\$ 40,183</u>

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 5 - CAPITAL ASSETS - CONT'D

Amortization expense was charged to governmental functions as follows:

Operation and maintenance of plant services	\$ (4,334)
Education	(2,691)
Covid-19 related	(6,297)
Administration and governing board	<u>(1,996)</u>
	<u>\$ (15,318)</u>

NOTE 6 - CHANGES IN LONG-TERM LIABILITIES

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

	Beginning Balance	Addition	Reduction	Ending Balance	Due within one year
Governmental activities					
Compensated absences payable	\$ <u>17,404</u>	\$ <u>111,239</u>	\$ <u>(113,852)</u>	\$ <u>14,791</u>	\$ <u>14,791</u>
Governmental activity long term liabilities	\$ <u>17,404</u>	\$ <u>111,239</u>	\$ <u>(113,852)</u>	\$ <u>14,791</u>	\$ <u>14,791</u>

NOTE 7 - LEASE LIABILITIES

The School has entered into agreements to lease equipments. 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, 2023, is summarized as follows:

	Beginning Balance	Increase	Decrease	Ending Balance	Due within one year
Right-to-use lease liability - equipments	\$ <u>30,635</u>	\$ <u>2,766</u>	\$ <u>(8,727)</u>	\$ <u>24,674</u>	\$ <u>9,016</u>
Total	\$ <u>30,635</u>	\$ <u>2,766</u>	\$ <u>(8,727)</u>	\$ <u>24,674</u>	\$ <u>9,016</u>

PINON COMMUNITY SCHOOL BOARD, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 7 - LEASE LIABILITIES - CONT'D

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

Year ending June 30	Principal	Interest	Total
2024	\$ 9,016	\$ 635	\$ 9,651
2025	9,316	335	9,651
2026	6,178	56	6,234
2027	164	-	164
	\$ 24,674	\$ 1,026	\$ 25,700

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 BASIC FINANCIAL STATEMENTS
JUNE 30, 2023

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 balances of claims liabilities during the past two years are as follows:

<u>Employee Benefits</u>	<u>Claims Payable</u>	<u>Current Year Claims</u>	<u>Claims Payments</u>	<u>Claims Payable at End of Year</u>
2022-2023	\$ 24,405	\$ 94,114	\$ 99,607	\$ 18,912
2021-2022	\$ 32,710	\$ 179,616	\$ 187,921	\$ 24,405

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 2023 were \$78,868 and \$145,524, respectively.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 28, 2024, 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, 2023

<u>Federal Grantor / Pass-Through Grantor / Program Title</u>	<u>Federal Assistance Listing Number</u>	<u>Federal Award Number or Other Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education			
Passed through Bureau of Indian Affairs			
Special Education Cluster			
Special Education - Grants to States	84.027	A22AV00866	\$ <u>83,132</u>
Total Special Education Cluster			<u>83,132</u>
Title I Grants to Local Educational Agencies	84.010	A22AV00866	152,889
Teacher Quality Partnership Grants	84.336	A22AV00866	20,870
Race to the Top-Early Learning Challenge	84.412	A22AV00866	61,377
Student Support and Academic Enrichment	84.424	A22AV00866	43,966
COVID-19 - CRRSA	84.425	A22AV00866	273,018
Indian Education Grants to Local Education	84.060A	A22AV00866	<u>1,142</u>
Total U.S. Department of Education			<u>636,394</u>
U.S. Department of Agriculture			
Passed through Arizona Department of Education			
Child nutrition Cluster			
Non-cash Assistance (Commodities)			
National School Lunch Program	10.555		<u>2,263</u>
Non-cash Assistance Subtotal			<u>2,263</u>
Cash Assistance			
School Breakfast Program	10.553		11,665
National School Lunch Program	10.555		<u>58,770</u>
Cash Assistance Subtotal			<u>70,435</u>
Total Child Nutrition Cluster			<u>72,698</u>
Total U.S. Department of Agriculture			<u>72,698</u>
U.S. Department of Interior			
Passed through Bureau of Indian Affairs			
Indian School Equalization	15.042	A22AV00866	1,715,481
Indian School Student Transportation	15.044	A22AV00866	375,743
Administrative Cost Grants for Indian Schools	15.046	A22AV00866	632,174
Indian Education Facilities, Operations and Maintenance	15.047	A22AV00866	1,172,052
Replacement and Repair of Indian Schools	15.062	A22AV00866	<u>5,590</u>
Total U.S. Department of Interior			<u>3,901,040</u>
Total Expenditure of Federal Awards			<u>\$ 4,610,132</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, 2023

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, 2023. 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. Any negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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 - FEDERAL ASSISTANCE LISTING NUMBERS (ALN)

The program titles and federal assistance listing numbers were obtained from the federal or pass-through grantor or the 2023 federal assistance listing. When no federal assistance listing number had been assigned to a program, the two-digit federal agency identifier, a period, and the federal contract number were used. When there was no federal contract number, the two-digit federal agency identifier, a period, and the word "unknown" were used.

NOTE 5 - NON-CASH ASSISTANCE

The School received noncash assistance in the amount of \$2,263 for FY 2023.

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, each major fund, and the aggregate remaining fund information of Pinon Community School Board, Inc. (the "School") as of and for the year ended June 30, 2023, 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 28, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 School's internal control. Accordingly, we do not express an opinion on the effectiveness of 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. 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 have not been 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*.

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 School'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 School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Harshmal & Company LLP

Albuquerque, New Mexico

March 28, 2024

**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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Pinon Community School Board, Inc.'s (the "School") 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, 2023. 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, 2023.

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 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 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 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 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 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 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 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 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 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.

Harshmal & Company LLP

Albuquerque, New Mexico

March 28, 2024

**PINON COMMUNITY SCHOOL BOARD, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2023**

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 Programs:

<u>Federal Assistance Listing Number</u>	<u>Name of Federal Program of Cluster</u>
15.044	Indian Schools Student Transportation
15.046	Administrative Cost Grants for Indian Schools
84.425	Coronavirus Response and Relief Supplemental Appropriations, Act 2021 (CRRSA Act)

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, 2023**

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, 2023**

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