MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75

ANNUAL FINANCIAL REPORT AND INTERNAL CONTROL COMMUNICATION

FISCAL YEAR ENDED JUNE 30, 2025

25950 Rockaway Hills Rd. | Morristown, AZ 85342

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Morristown Elementary School District No. 75
Morristown, Arizona

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Morristown Elementary School District No. 75 (the "District"), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Morristown Elementary School District No. 75, as of June 30, 2025, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

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

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated June 17, 2026 on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Advisent Assurance, LLP

Mesa, Arizona
June 17, 2026

As management of the Morristown Elementary School District No. 75, we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

- The District's total net position of governmental activities increased by $0.1 million. This represents a 5% increase from fiscal year 2024.
- General revenues accounted for $1.5 million in revenue, or 73% of all fiscal year 2025 revenues. Program-specific revenues in the form of charges for services and grants and contributions accounted for $0.5 million or 27% of the total fiscal year 2025 revenues.
- As of the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1.1 million, an increase of $0.1 million in comparison with the prior year.
- At the end of fiscal year 2025, the unassigned fund balance for the General Fund was $1.0 million, or 70% of total General Fund expenditures.
- Total long-term liabilities of the District decreased by $0.2 million during fiscal year 2025. The reason for this change was attributed to a decrease in the net pension liability.

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide financial statements.

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

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

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

The government-wide financial statements outline functions of the District that are principally supported by property taxes and intergovernmental revenues (*governmental activities*). The governmental activities of the District include instruction, support services, operation and maintenance of plant services, student transportation, and operation of non-instructional services.

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

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

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

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

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

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

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

The basic governmental fund financial statements can be found as presented within the Table of Contents.

Notes to Basic Financial Statements
The notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to basic financial statements can be found as noted within the table of contents.

Required Supplementary Information Other than MD&A
The District reports a multi-year schedule of the District's proportionate share of net pension liability and contributions to its cost-sharing pension plan on the page noted within the Table of Contents followed by a schedule of changes in the total OPEB liability and related ratios.

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

Government-Wide Financial Analysis
As noted earlier, net position may serve over time as useful indicators of a government's financial position. In the case of the District, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $2.4 million at the close of the most recent fiscal year.

The following table presents a summary of the District's net position as of June 30, 2025, and 2024.

	Governmental Activities		
	2025	**2024**	**Net Change**
ASSETS			
Current and other assets	$ 1,269,617	$ 1,147,586	$ 122,031
Capital assets	2,512,252	2,587,571	(75,319)
Total Assets	3,781,869	3,735,157	46,712
DEFERRED OUTFLOWS OF RESOURCES	204,174	195,927	8,247
LIABILITIES			
Current liabilities	60,942	65,800	(4,858)
Long-term liabilities	1,278,112	1,472,462	(194,350)
Total Liabilities	1,339,054	1,538,262	(199,208)
DEFERRED INFLOWS OF RESOURCES	224,023	75,648	148,375
NET POSITION			
Investment in capital assets	2,512,252	2,587,571	(75,319)
Restricted	276,496	258,355	18,141
Unrestricted	(365,782)	(528,752)	162,970
Total Net Position	$ 2,422,966	$ 2,317,174	$ 105,792

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

Government-Wide Financial Analysis (Continued)

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

Changes in net position

The District's total revenues for the fiscal years ended June 30, 2025, and 2024, were $2.0 million and $2.1 million, respectively. The total cost of all programs and services for the fiscal years ended June 30, 2025, and 2024 were $1.9 million and $2.3 million, respectively. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2025 and 2024.

	Governmental Activities		
	2025	2024	Net Change
REVENUES			
Program revenues			
Charges for services	$ 2,080	$ 3,165	$ (1,085)
Operating grants and contributions	512,104	550,361	(38,257)
Capital grants and contributions	35,600	-	35,600
General revenues			
Property taxes	686,835	622,236	64,599
State equalization and additional state	750,585	897,817	(147,232)
Interest and other	37,155	27,299	9,856
Total Revenues	2,024,359	2,100,878	(76,519)
EXPENSES			
Instruction	976,210	1,075,495	(99,285)
Support Services			
Students and instructional staff	157,271	216,807	(59,536)
General and school administration	183,510	188,961	(5,451)
Business and other support services	121,817	121,960	(143)
Operation and maintenance of plant	258,812	251,209	7,603
Other supporting services	-	189,602	(189,602)
Operation of noninstructional services	127,493	164,651	(37,158)
Student transportation	93,454	115,824	(22,370)
Total Expenses	1,918,567	2,324,509	(405,942)
Change in net position	105,792	(223,631)	329,423
Net Position - Beginning	2,317,174	2,540,805	(223,631)
Net Position - Ending	$ 2,422,966	$ 2,317,174	$ 105,792

Program Revenues

Charges for services decreased $1,085 during the current year, which is considered insignificant.

Operating grants and contributions decreased by $38,257 (7%) due to decreases in federal funding.

Capital grants and contributions revenues increase by $35,600 due to increases in SFB reimbursements for HVAC projects.

General Revenues
The District experienced an increase of $64,599 in property tax revenue as a result of changes in tax rates.

State and county equalization and additional state aid decreased by $0.1 million (16%) due to changes in the state's budget formula.

The increase in interest and other was due to increases in returns on the cash balances held with the county treasurer.

The District incurred a 17% decrease in expenses in the current year. The decrease was mainly due to decreases in salaries and decreases in general purchases during the year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of $1.1 million, an increase of $109,356 in comparison with the prior year. Approximately 80% of this total amount ($0.9 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is nonspendable or restricted to indicate that it is not available for new spending.

Fund balances as of June 30, 2025, and the changes in fund balances from the prior year are summarized as follows:

	Balance	Increase (Decrease) From 2023-24
GOVERNMENTAL FUND		
General Fund	$ 985,722	$ 87,417
Special Projects Fund	21,157	24,050
Other Special Revenue Fund	146,185	6,942
Building Renewal Grant Fund	(75,198)	-
Nonmajor Governmental Funds	61,843	(9,053)
	$ 1,139,709	$ 109,356

The General Fund experienced an increase of $0.1 million primarily due to conservative spending practices.

The increase of $24,050 in the Special Projects Fund was due to the spending down of prior year grant revenues.

The change in the Other Special Revenue Fund of $6,942 was due to conservative spending practices.

The change in Building Renewal Grant Fund was not considered significant.

The decrease of $9,053 in Nonmajor Governmental Funds was primarily due to increases in classroom site spending.

BUDGETARY HIGHLIGHTS

Over the course of the year, the District can revise the annual General Fund expenditure budget. In Arizona, school districts build their original "adopted" budget based on a projection of the coming fiscal year's 100th day average daily attendance. In May, the District is allowed to increase or decrease its budget for differences between expected and actual student growth. Differences between the original and the final amended General Fund budget represented an 14% increase. The $0.2 million increase was primarily allocated to regular education - instruction. The District's expenditures were 23% less than budget during the current year.

A schedule showing the original and final budget amounts compared to the District's actual financial activity for the General Fund, Special Projects Fund, and Other Special Revenue Fund are provided in this report as required supplementary information.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The District's investment in capital assets for its governmental activities as of June 30, 2025, amounts to $2.5 million (net of accumulated depreciation). This investment in capital assets includes construction in progress, land and improvements, buildings and improvements, vehicles, equipment, and furniture. The net decrease in the District's investment in capital assets for the current fiscal year was $0.1 million. This decrease was mainly due to depreciation expense exceeding capital asset acquisitions during the current fiscal year.

Capital Assets (Continued)
Major capital assets events during the current fiscal year included the following projects:

- HVAC replacement

	Governmental Activities		
	2025	**2024**	**Net Change**
CAPITAL ASSETS			
Construction in progress	$ 281,000	$ 281,000	$ -
Land improvements	23,680	25,163	(1,483)
Buildings & improvements	1,934,686	1,960,469	(25,783)
Vehicles, equipment, and furniture	272,886	320,939	(48,053)
Total Capital Assets	$ 2,512,252	$ 2,587,571	$ (75,319)

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

Debt Administration
The District's outstanding long-term debt was limited to its compensated absences liability and pension/OPEB liabilities. Additional information on the District's compensated absences can be found in Note 6 of this report. Additional information on the net pension/OPEB liabilities and assets can be found in Note 8 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Consistent enrollment.
- Changes to salaries and benefits.
- Inflation and increased costs.

These indicators were considered when adopting the budget for fiscal year 2025-26.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, and investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the resources it receives. If you have questions about this report or need additional information, write to Morristown Elementary School District No. 75, 25950 Rockaway Hills Drive, Morristown, AZ 85342 or contact the District via its website www.morristowneld75.org.

	Governmental Activities
ASSETS	
Cash and cash equivalents	$ 965,316
Property taxes receivable	30,829
Due from other governments	225,568
Deposits	593
Net OPEB asset	47,311
Capital assets, not depreciated	281,000
Capital assets, net of accumulated depreciation	2,231,252
Total Assets	3,781,869
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	195,972
Deferred outflows related to OPEB	8,202
Total Deferred Outflows of Resources	204,174
LIABILITIES	
Accounts payable	19,229
Accrued wages and benefits	39,619
Long-term liabilities:	
Due within one year	2,094
Due in more than one year	1,278,112
Total Liabilities	1,339,054
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	206,002
Deferred inflows related to OPEB	18,021
Total Deferred Inflows of Resources	224,023
NET POSITION	
Net investment in capital assets	2,512,252
Restricted:	
Net OPEB asset	47,311
Teacher compensation and other qualified programs (A.R.S 15-977)	3,660
Instructional improvement programs	24,587
Federal and state instructional programs	21,157
Food service	29,061
Community programs	27,497
Extracurricular activities	118,688
Capital projects	4,535
Unrestricted	(365,782)
Total Net Position	$ 2,422,966

See accompanying Notes to the Basic Financial Statements

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
Function/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government:					
Governmental Activities:					
Instruction	$ 976,210	$ -	$ 279,589	$ -	$ (696,621)
Support services:					
Students	146,772	-	93,257	-	(53,515)
Instructional staff	10,499	-	7,945	-	(2,554)
General administration	104,615	-	-	-	(104,615)
School administration	78,895	-	4,818	-	(74,077)
Business and other support services	121,817	-	-	-	(121,817)
Operation and maintenance of plant	258,812	-	1,304	35,600	(221,908)
Student transportation	93,454	-	-	-	(93,454)
Operation of noninstructional services	127,493	2,080	125,191	-	(222)
Total	$ 1,918,567	$ 2,080	$ 512,104	$ 35,600	(1,368,783)
	General revenues:				
	Property taxes				686,835
	Grants and contributions not restricted to specific programs:				
	State equalization and additional state aid				750,585
	Investment earnings				32,926
	Other				4,229
	Total general revenues				1,474,575
	Change in net position				105,792
	Net position - July 1, 2024				2,317,174
	Net position - ending				$ 2,422,966

See accompanying Notes to the Basic Financial Statements

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Special Projects Fund	Other Special Revenue Fund	Building Renewal Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	$ 770,805	$ -	$ 146,329	$ -	$ 48,182	$ 965,316
Receivables						
Property taxes	30,829	-	-	-	-	30,829
Intergovernmental	26,689	181,638	-	-	17,241	225,568
Deposits	-	-	-	-	593	593
Due from other funds	229,198	-	-	-	-	229,198
Total Assets	$ 1,057,521	$ 181,638	$ 146,329	$ -	$ 66,016	$ 1,451,504
LIABILITIES						
Accounts payable	$ 10,566	$ 5,679	$ 144	$ -	$ 2,840	$ 19,229
Due to other funds	-	154,000	-	75,198	-	229,198
Accrued wages	37,484	802	-	-	1,333	39,619
Total Liabilities	48,050	160,481	144	75,198	4,173	288,046
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues	23,749	-	-	-	-	23,749
FUND BALANCES						
Restricted	-	21,157	146,185	-	61,843	229,185
Unassigned	985,722	-	-	(75,198)	-	910,524
Total Fund Balances	985,722	21,157	146,185	(75,198)	61,843	1,139,709
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 1,057,521	$ 181,638	$ 146,329	$ -	$ 66,016	$ 1,451,504

See accompanying Notes to the Basic Financial Statements

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
JUNE 30, 2025

Total Fund Balance - Governmental Funds		$ 1,139,709
Amounts reported for assets and liabilities for governmental activities in the statement of net position are different from amounts reported in governmental funds because:		
Capital assets:		
In governmental funds, only current assets are reported. In the statement of net position, all assets are reported, including capital assets and accumulated depreciation:		
Capital assets	$ 4,616,695	
Accumulated depreciation	(2,104,443)	2,512,252
Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds:		23,749
Net OPEB asset:		
In governmental funds, postretirement benefits costs are recognized as expenditures in the period they are paid. In the government-wide statements, they are recognized in the period they are incurred. The net OPEB asset at the end of the period was:		47,311
Long-term liabilities:		
In governmental funds, only current liabilities are reported. In the statement of net position, all liabilities, including long-term liabilities, are reported. Long-term liabilities relating to governmental activities consist of:		
Net pension liability	(1,240,117)	
Net OPEB liability	(202)	
Compensated absences	(39,887)	(1,280,206)
Deferred outflows and inflows of resources relating to pensions/OPEB:		
In governmental funds, deferred outflows and inflows of resources relating to pensions/OPEB are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions/OPEB are reported:		
Deferred outflows of resources relating to pensions	195,972	
Deferred inflows of resources relating to pensions	(206,002)	
Deferred outflows of resources relating to OPEB	8,202	
Deferred inflows of resources relating to OPEB	(18,021)	(19,849)
Total Net Position - Governmental Activities		$ 2,422,966

See accompanying Notes to the Basic Financial Statements

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025

	General Fund	Special Projects Fund	Other Special Revenue Fund	Building Renewal Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	$ 688,978	$ -	$ -	$ -	$ -	$ 688,978
Intergovernmental	755,628	230,145	-	35,600	260,407	1,281,780
Food Services Sales	-	-	-	-	2,080	2,080
Contributions and Donations	5,700	-	10,809	-	-	16,509
Investment Earnings (loss)	25,123	583	4,653	-	2,567	32,926
Other	4,212	-	17	-	-	4,229
Total Revenues	1,479,641	230,728	15,479	35,600	265,054	2,026,502
EXPENDITURES						
Current						
Instruction	698,170	114,737	8,207	-	143,829	964,943
Support Services:						
Students	69,399	75,584	-	-	7,755	152,738
Instructional Staff	3,167	5,679	-	-	1,725	10,571
General Administration	108,731	-	-	-	-	108,731
School Administration	78,727	4,191	-	-	-	82,918
Business and Other Support Services	125,101	-	-	-	-	125,101
Operations and Maintenance of Plant	247,342	-	-	35,600	1,252	284,194
Student Transportation	59,792	-	-	-	-	59,792
Operations of Noninstructional Services	8,282	-	330	-	119,546	128,158
Total Expenditures	1,398,711	200,191	8,537	35,600	274,107	1,917,146
Excess (Deficiency) of Revenues Over Expenditures	80,930	30,537	6,942	-	(9,053)	109,356
Other Financing Sources (Uses)						
Transfers in	6,487	-	-	-	-	6,487
Transfers out	-	(6,487)	-	-	-	(6,487)
Net Financing Sources (Uses)	6,487	(6,487)	-	-	-	-
NET CHANGE IN FUND BALANCE	87,417	24,050	6,942	-	(9,053)	109,356
Fund Balance - July 1, 2024	923,805	(2,893)	139,243	(100,698)	70,896	1,030,353
Adjustment for restatement	(25,500)	-	-	25,500	-	-
Fund Balance - July 1, 2024, as restated	898,305	(2,893)	139,243	(75,198)	70,896	1,030,353
Fund Balance - Ending	$ 985,722	$ 21,157	$ 146,185	$ (75,198)	$ 61,843	$ 1,139,709

See accompanying Notes to the Basic Financial Statements

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Net Change in Fund Balances - Governmental Funds		$ 109,356
Amounts reported for governmental activities in the statement of activities are different from amounts reported in governmental funds because:		
In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense.		
Expenditures for capital outlay	$ 44,500	
Depreciation expense	(114,353)	(69,853)
In governmental funds, the entire proceeds from disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported.		(5,466)
Some revenues reported in the governmental funds that did not provide current financial resources in prior years have been recognized previously in the statement of activities and therefore are not reported as revenues in the statement of activities.		
Property taxes		(2,143)
Governmental funds report pension contributions as expenditures when made. However, in the statement of activities, pension expense is the cost of benefits earned, adjusted for member contributions, the recognition of changes in deferred outflows and inflows of resources related to pensions.		
Pension contributions	126,750	
Pension expense	(69,529)	
OPEB contributions	2,278	
OPEB expense	5,320	64,819
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 the governmental funds.		
Net decrease(increase) in compensated absences		9,079
Change in Net Position of Governmental Activities		105,792

See accompanying Notes to the Basic Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Morristown Elementary School District No. 75 (District) have been prepared in conformity with accounting principles generally accepted in the United States of America applicable to governmental units adopted by the Governmental Accounting Standards Board (GASB). A summary of the District's more significant accounting policies follows.

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental funds 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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting, except expenditures related to compensated absences and claims and judgments, which are recorded only when payment is due.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

However, since debt service resources are provided during the current year for payment of long-term principal and interest due early in the following year (within one month), the expenditures and related liabilities have been recognized in the Debt Service Fund. General capital assets are reported as expenditures in governmental funds. Issuances of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The District reports the following major governmental funds:

Major Governmental Funds

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

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

Other Special Revenue Fund - accounts for the revenues and expenditures of the following activities or objectives: civic center, community school, extracurricular activity fee tax credit, fingerprinting, textbooks, and grants and gifts to teachers.

The *Building Renewal Grant Fund* accounts for the revenues and expenditures of state-funded projects through the School Facilities Board (SFB).

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

Amounts reported as program revenues include 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Property Taxes Receivables
Maricopa County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. However, a lien against real and personal property assessments attaches on the first day of January preceding assessment and levy thereof.

Intergovernmental Receivable
Intergovernmental receivables are comprised of federal and state grants ($194,715), state aid ($26,689), and Instructional Improvement ($4,164).

Prepaids
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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

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

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

Asset Class	Years
Land Improvements	20 years
Buildings and Improvements	7-40 years
Vehicles, Furniture, and Equipment	5-20 years

Deferred Outflows 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 assets that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Compensated Absences

The District recognizes a liability for compensated absences for leave time that (1) has been earned for services previously rendered by employees, (2) accumulates and is allowed to be carried over to subsequent years, and (3) is more likely than not to be used as time off or settled (for example paid in cash to the employee) during or upon separation from employment. Based on the criteria listed, two types of leave qualify for liability recognition for compensated absences – *vacation* and *sick leave*. The liability for compensated absences is reported as incurred in the government-wide financial statements. A liability for compensated absences is recorded in the governmental funds only if the liability has matured because of employee resignations or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Deferred amounts on refunding result from the difference between the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Deferred Inflows of Resources
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 assets that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

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

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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance (Continued)

The fund balance classifications of the governmental funds as of June 30, 2025, were as follows:

	General Fund	Special Projects Fund	Other Special Revenue Fund	Building Renewal Grant Fund	Non-Major Governmental Funds	Total Governmental Activities
Restricted						
Teacher compensation and other qualified programs (A.R.S. 15-977)	$ -	$ -	$ -	$ -	$ 3,660	$ 3,660
Instructional improvement programs	-	-	-	-	24,587	24,587
Federal and state instructional programs	-	21,157	-	-	-	21,157
Food services	-	-	-	-	29,061	29,061
Community programs	-	-	27,497	-	-	27,497
Extracurricular activities	-	-	118,688	-	-	118,688
Capital projects	-	-	-	-	4,535	4,535
Total restricted	-	21,157	146,185	-	61,843	229,185
Unassigned	985,722	-	-	(75,198)	-	910,524
Total	$ 985,722	$ 21,157	$ 146,185	$ (75,198)	$ 61,843	$ 1,139,709

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

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

NOTE 3 – DEPOSITS AND INVESTMENTS

Deposits and investments at June 30, 2025 consist of the following:

Deposits:		
Cash in bank	$	28,064
Investments:		
Cash on deposit with county treasurer		937,252
Total cash and cash equivalents	$	965,316

Deposits
Custodial Credit Risk – Custodial credit risk is the risk that in the event of bank failure, the District's deposits may not be returned to the District. The District does not have a deposit policy for custodial credit risk. At June 30, 2025, the carrying amount of the District's deposits was $28,064 and the bank balance was $28,064. At June 30, 2025, the entire bank balance was covered by Federal Depository Insurance.

Investments
At June 30, 2025, the District's investments were reported at fair value. The District's investments consisted of only cash on deposit with the County Treasurer.

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

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

Credit Risk – The District does not have a formal investment policy regarding credit risk. However, the District is prohibited by state law from investing in investments other than State and County Treasurer's investment pools, U.S. Treasury obligations, specified state and local government bonds and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements. The District's investment in the County Treasurer's investment pool did not receive a credit quality rating from a national rating agency.

Fair Value Measurements – The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs
- Level 3 inputs are significant unobservable inputs

The County Treasurer's pool is an external investment pool with no regulatory oversight. The pool is not required to register (and is not registered) with the Securities and Exchange Commission. The fair value of each participant's position in the investment pools approximates the value of the participant's shares in the pool and the participants' shares are not identified with specific investments. Participants in the pools are not required to categorize the value of shares in accordance with the fair value hierarchy.

NOTE 4 – UNAVAILABLE REVENUE

Property taxes are recognized as revenues in the fiscal year levied in the government-wide financial statements and represent a reconciling item between the government-wide and fund financial statements. In the fund financial statements property taxes are recognized as revenues in the fiscal year they are levied and collected or if they are collected within 60 days subsequent to fiscal year-end. Property taxes not collected within 60 days subsequent to fiscal year-end or collected in advance of the fiscal year for which they are levied are reported as deferred inflows of resources.

Governmental funds report deferred inflows of resources in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also record unearned revenue in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the District reported $23,749 of unavailable revenues as deferred inflows of resources from delinquent property tax payments.

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025, was as follows:

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025
Capital assets not being depreciated				
Construction in progress	$ 281,000	$ -	$ -	$ 281,000
Capital assets being depreciated				
Land improvements	153,453	-	-	153,453
Buildings and improvements	3,485,217	44,500	-	3,529,717
Vehicles, equipment, and furniture	671,265	-	(18,740)	652,525
Total Capital Assets Being Depreciated	4,309,935	44,500	(18,740)	4,335,695
Less Accumulated Depreciation				
Land improvements	(128,290)	(1,483)	-	(129,773)
Buildings and improvements	(1,524,748)	(70,283)	-	(1,595,031)
Vehicles, equipment, and furniture	(350,326)	(42,587)	13,274	(379,639)
Total Accumulated Depreciation	(2,003,364)	(114,353)	13,274	(2,104,443)
Total Capital assets, being depreciated, net	2,306,571	(69,853)	(5,466)	2,231,252
Governmental Activities Capital Assets, Net	$ 2,587,571	$ (69,853)	$ (5,466)	$ 2,512,252

Depreciation expense was charged to governmental functions as follows:

Governmental Activities:	
Instruction	$ 54,920
Support Services:	
Students	555
Operations and Maintenance of Plant	23,138
Student Transportation	33,662
Operation of Noninstructional Services	2,078
	$ 114,353

The District did not have any construction commitments as projects were in between phases at year end.

NOTE 6 – OBLIGATIONS UNDER LONG-TERM LIABILITIES

Compensated Absences
Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year 2025, the District paid for compensated absences from the General Fund.

Changes in long-term liabilities for the year ended June 30, 2025, are as follows:

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
Compensated absences	$ 48,966	$ -	$ (9,079)	$ 39,887	$ 2,094
Net pension liability	1,445,003	-	(204,886)	1,240,117	-
Net OPEB liability	1,168	-	(966)	202	-
Total	$ 1,495,137	$ -	$ (214,931)	$ 1,280,206	$ 2,094

NOTE 7 – RISK MANAGEMENT

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

For employee health and dental insurance, the District participates in the Kairos Health Arizona. The trust is a public entity risk-sharing and insurance purchasing pool. If the pool becomes either insolvent or is otherwise unable to discharge its legal liabilities and other obligations, the District may be assessed an additional amount not to exceed the original required annual contribution to the pool.

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

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

NOTE 8 – RETIREMENT PLANS

Cost Sharing Pension Plan

On June 30, 2025, the District reported the following related to the pension/OPEB plan to which it contributes:

	Cost-sharing pension plan	Cost-sharing OPEB plan	Total
Net OPEB assets	$ -	$ 47,311	$ 47,311
Net pension/OPEB liability	1,240,117	202	1,240,319
Deferred outflows of resources	195,972	8,202	204,174
Deferred inflows of resources	206,002	18,021	224,023
Pension expense	69,529	(5,320)	64,209

Arizona State Retirement System

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

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

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

**With actuarially reduced benefits.*

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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

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

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

Contributions
In accordance with State statutes, annual actuarial valuations determine active member and employer contribution requirements. The combined active member and employer contribution rates are expected to finance the costs of benefits employees earn during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2025, statute required active ASRS members to contribute at the actuarially determined rate of 12.27% (12.12% for retirement and 0.15% for long-term disability) of the members' annual covered payroll, and statute required the District to contribute at the actuarially determined rate of 12.27% (12.05% for retirement, 0.07% for health insurance premium benefit, and 0.15% for long-term disability) of the active members' annual covered payroll. If the District also made alternative contributions for retired members who returned to work, add the following sentence: In addition, the District was required by statute to contribute at the actuarially determined rate of 10.19% (10.14% for retirement and 0.05% for long-term disability) of annual covered payroll of retired members who worked for the District in positions that an employee who contributes to the ASRS would typically fill. The District's contributions to the pension, health insurance premium benefit, and long-term disability for the year ended June 30, 2025, were $126,750, $736, and $1,542.

During the fiscal year ended June 30, 2025, the District paid for ASRS pension as follows: 70% from the General Fund, 14% from the Special Projects Fund, 1% from the Other Special Revenue Fund, and 15% from nonmajor governmental funds.

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Pension Liability
On June 30, 2025, the District reported the following asset and liabilities for its proportionate share of the ASRS' net pension/OPEB asset or liability:

	District % Proportion June 30, 2024	Increase (Decrease) from June 30, 2023
Pension	0.00775%	-0.00118%
Health insurance premium benefit	0.00783%	-0.00119%
Long-term disability	0.00774%	-0.00121%

The net asset and net liabilities were measured as of June 30, 2024. The total liability used to calculate the net asset or net liability was determined using update procedures to roll forward the total liability from an actuarial valuation as of June 30, 2023, to the measurement date of June 30, 2024. The District's proportion of the net asset or net liability was based on the District's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2024, and the change from its proportions measured as of June 30, 2023, were noted above.

Expense
For the year ended June 30, 2025, the District recognized the following pension and OPEB expense (income):

	Pension/OPEB Expense (Income)
Pension	$ 69,529
Health insurance premium benefit	(6,262)
Long-term disability	942
Total Pension/OPEB Expense:	$ 64,209

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Deferred Outflows/Inflows of Resources
At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	$ 69,222	$ 1,369	$ 742
Changes of assumptions or other inputs	-	-	146
Changes in proportion and differences between contributions and proportionate share of contributions	-	3,066	601
Contributions subsequent to the measurement date	126,750	736	1,542
Total	$ 195,972	$ 5,171	$ 3,031

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	$ -	$ 11,424	$ 537
Changes of assumptions or other inputs	-	491	1,208
Net difference between projected and actual earnings on pension plan investments	79,195	3,252	220
Changes in proportion and differences between contributions and proportionate share of contributions	126,807	465	424
Total	$ 206,002	$ 15,632	$ 2,389

The amounts reported as deferred outflows of resources related to ASRS pensions and OPEB resulting from District contributions subsequent to the measurement date will be recognized as an increase of the net asset or a reduction of the net liability in the year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to ASRS pensions and OPEB will be recognized in expenses as follows:

	Deferred Outflows (Inflows) of Resources		
Year Ending June 30:	Pension	Health Insurance Premium Benefit	Long-Term Disability
2026	$ (102,808)	$ (8,293)	$ (320)
2027	608	(1,470)	59
2028	(20,047)	(1,333)	(275)
2029	(14,533)	(203)	(250)
2030	-	102	(108)
Thereafter	-	-	(6)
Total	$ (136,780)	$ (11,197)	$ (900)

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Actuarial Assumptions

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

	Pensions	Health Insurance Premium Benefit	Long-Term Disability
Actuarial valuation date	June 30, 2023	June 30, 2023	June 30, 2023
Actuarial roll forward date	June 30, 2024	June 30, 2024	June 30, 2024
Actuarial cost method	Entry age normal	Entry age normal	Entry age normal
Investment rate of return	7.0%	7.0%	7.0%
Projected salary increases	2.9-8.4%	Not applicable	Not applicable
Inflation rate	2.3%	2.3%	2.3%
Permanent base increases	Included	Not applicable	Not applicable
Mortality rates	2017 SRA Scale U-MP	2017 SRA Scale U-MP	Not applicable
Recovery rates	Not applicable	Not applicable	2012 GLDT

Actuarial assumptions used in the June 30, 2023, valuation were based on the results of an actuarial experience study for the 5-year period ended June 30, 2020.

The long-term expected rate of return on ASRS pension plan investments was determined to be 7.0% using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Geometric Real Rate of Return
Public equity	44%	4.48%
Credit	23%	4.40%
Real estate	17%	6.06%
Private equity	10%	6.11%
Interest rate sensitive	6%	-0.45%
Total	100%	

NOTE 8 – RETIREMENT PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Discount Rate
On June 30, 2024, the discount rate used to measure the ASRS total pension/OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the ASRS Board's funding policy, which establishes the contractually required rate under Arizona statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. The long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension/OPEB liability.

Sensitivity of the District's Proportionate Share of the ASRS Net Pension/OPEB (Asset) Liability to Changes in the Discount Rate
The following table presents the District's proportionate share of the net pension liability calculated using the discount rate of 7.0%, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0%) or 1 percentage point higher (8.0%) than the current rate.

	Proportionate share of the net liability (asset)		
	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Pension	$ 1,898,872	$ 1,240,117	$ 691,101
Health insurance premium benefit	(34,395)	(47,311)	(58,292)
Long-term disability	694	202	(283)

Pension Plan Fiduciary Net Position
Detailed information about the pension plan's fiduciary net position is available in the separately issued ASRS financial report.

Contributions payable
The District's accrued payroll and employee benefits included $7,152 of outstanding pension amounts payable to ASRS for the year ended June 30, 2025.

NOTE 9 – RESTATEMENT

At June 30, 2025, the District recorded a restatement of beginning fund balance within the General Fund, and Building Renewal Grant Fund to reclassify prior year expenditures that were paid out of the grant funds that were not reimbursed by the granting agency. The effects of the restatement is as follows:

Governmental Funds

	Fund balance as previously stated	Expenditures adjustment	Fund balance as restated
General Fund	$ 923,805	$ (25,500)	$ 898,305
Special Projects Fund	(2,893)	-	(2,893)
Other Special Revenue Fund	139,243	-	139,243
Building Renewal Grant Fund	(100,698)	25,500	(75,198)
Nonmajor Governmental Funds	70,896	-	70,896
Total governmental funds	$ 1,030,353	$ -	$ 1,030,353

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual	Variances -
	Original	Final	(Budgetary Basis)	Final to Actual
REVENUES				
Property taxes	$ -	$ -	$ 653,380	$ 653,380
Intergovernmental	-	-	710,675	710,675
Investment earnings	-	-	20,154	20,154
Other	-	-	2,501	2,501
Total Revenues	-	-	1,386,710	1,386,710
EXPENDITURES				
Regular education				
Instruction	564,951	744,904	549,275	195,629
Support services - students	53,162	55,662	64,647	(8,985)
Support services - instructional staff	7,878	9,378	1,517	7,861
Support services - general administration	114,234	114,234	108,731	5,503
Support services - school administration	79,883	79,883	78,727	1,156
Support services - business and other	89,430	102,122	113,557	(11,435)
Operations and maintenance of plant	250,429	272,429	238,442	33,987
Operation of noninstructional services	6,610	6,610	5,881	729
Total regular education	1,166,577	1,385,222	1,160,777	224,445
Special education				
Instruction	243,040	240,815	120,642	120,173
Support services - students	-	700	754	(54)
Support services - instructional staff	-	1,525	1,650	(125)
Total special education	243,040	243,040	123,046	119,994
Pupil transportation				
Student transportation services	64,377	88,377	59,792	28,585
K-3 reading program				
Instruction	35,124	35,124	5,775	29,349
Total Expenditures	1,509,118	1,751,763	1,349,390	402,373
Excess (Deficiency) of Revenues				
Over Expenditures	(1,509,118)	(1,751,763)	37,320	1,789,083
Fund Balance - Beginning, as restated	-	-	744,173	744,173
Fund Balance - Ending	$ (1,509,118)	$ (1,751,763)	$ 781,493	$ 2,533,256

See accompanying Notes to Required Supplementary Information

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
BUDGETARY COMPARISON SCHEDULE FOR THE SPECIAL PROJECTS FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variances -
	Original	Final	Actual	Final to Actual
REVENUES				
Intergovernmental	$ -	$ -	$ 230,145	$ (230,145)
Investment earnings	-	-	583	(583)
Total Revenues	-	-	230,728	(230,728)
EXPENDITURES				
Regular education:				
Instruction	87,852	107,710	81,743	25,967
Support services - students	77,130	94,565	71,767	22,798
Support services - instructional staff	6,103	7,483	5,679	1,804
Total regular education:	171,085	209,758	159,189	50,569
Special education:				
Instruction	35,460	43,475	32,994	10,481
Support services - students	4,102	5,030	3,817	1,213
Support services - school administratior	4,504	5,522	4,191	1,331
Total special education:	44,066	54,027	41,002	13,025
Total Expenditures	215,151	263,785	200,191	63,594
Excess (Deficiency) of Revenues Over Expenditures	(215,151)	(263,785)	30,537	(167,134)
Other Financing Sources (Uses):				
Transfers out	-	-	(6,487)	(6,487)
Net Financing Sources (Uses)	-	-	(6,487)	(6,487)
NET CHANGE IN FUND BALANCE	(215,151)	(263,785)	24,050	287,835
Fund Balance - Beginning	-	-	(2,893)	(2,893)
Fund Balance - Ending	$ (215,151)	$ (263,785)	$ 21,157	$ 284,942

See accompanying Notes to Required Supplementary Information

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
BUDGETARY COMPARISON SCHEDULE FOR THE OTHER SPECIAL REVENUE FUND
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts			Variances -
	Original	Final	Actual	Final to Actual
REVENUES				
Contributions and donations	$ -	$ -	$ 10,809	$ (10,809)
Investment earnings	-	-	4,653	4,653
Other	-	-	17	17
Total Revenues	-	-	15,479	(6,139)
EXPENDITURES				
Regular education:				
Operation of noninstructional services	5,273	5,273	330	4,943
School sponsored cocurricular activities	51,879	51,879	3,247	48,632
School sponsored athletics	79,248	79,248	4,960	74,288
Total Expenditures	136,400	136,400	8,537	127,863
Excess (Deficiency) of Revenues Over Expenditures	(136,400)	(136,400)	6,942	121,724
NET CHANGE IN FUND BALANCE	(136,400)	(136,400)	6,942	143,342
Fund Balance - Beginning	-	-	139,243	139,243
Fund Balance - Ending	$ (136,400)	$ (136,400)	$ 146,185	$ 282,585

See accompanying Notes to Required Supplementary Information

MORRISTOWN ELEMENTARY SCHOOL DISTRICT NO. 75
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF
NET PENSION LIABILITY AND CONTRIBUTIONS
COST SHARING PENSION PLAN
LAST TEN FISCAL YEARS

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

	Reporting Fiscal Year (Measurement Date)									
	2025 (2024)	2024 (2023)	2023 (2022)	2022 (2021)	2021 (2020)	2020 (2019)	2019 (2018)	2018 (2017)	2017 (2016)	2016 (2015)
Proportion of the net pension liability	0.00775%	0.00893%	0.00893%	0.0084%	0.0073%	0.0100%	0.0100%	0.0100%	0.0100%	0.0100%
Proportionate share of the net pension liability	$ 1,240,117	$ 1,445,003	$ 1,457,574	$ 1,102,409	$ 1,257,905	$ 1,091,337	$ 909,311	$ 1,296,094	$ 1,318,720	$ 1,199,893
Covered payroll	$ 1,313,050	$ 1,071,645	$ 1,072,646	$ 950,497	$ 815,720	$ 803,362	$ 676,058	$ 824,174	$ 759,594	$ 724,215
Proportionate share of the net pension liability as a percentage of its covered payroll	94.45%	134.84%	135.89%	115.98%	154.21%	135.85%	134.50%	157.26%	173.61%	165.68%
Plan fiduciary net position as a percentage of the total pension liability	76.93%	75.47%	74.26%	78.58%	69.33%	73.24%	73.40%	69.92%	67.06%	68.35%

SCHEDULE OF CONTRIBUTIONS

	Reporting Fiscal Year									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined contribution	$ 126,750	$ 130,408	$ 138,936	$ 127,704	$ 109,968	$ 91,831	$ 88,458	$ 72,236	$ 83,077	$ 82,416
Contributions in relation to the actuarially determined contribution	126,750	130,408	138,936	127,704	109,968	91,831	88,458	72,236	83,077	82,416
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
District's covered payroll	$ 1,069,348	$ 1,313,050	$ 1,071,645	$ 1,072,646	$ 950,497	$ 815,720	$ 803,362	$ 676,058	$ 824,174	$ 759,594
Contributions as a percentage of covered payroll	11.85%	9.93%	12.96%	11.91%	11.57%	11.26%	11.01%	10.68%	10.08%	10.85%

See accompanying Notes to Required Supplementary Information

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

The adopted budget of the District is prepared on a basis consistent with accounting principles generally accepted in the United States of America, except for the following items.

- Certain activities reported in the General Fund are budgeted in separate funds in accordance with Arizona Revised Statutes.

Consequently, the following adjustments are necessary to present the General Fund actual revenues, expenditures, other financing sources (uses), and fund balance on June 30, 2025, on a budgetary basis in order to provide a meaningful comparison.

	General Fund				
	Total Revenues	Total Expenditures	Other Financing Sources and Uses	Fund balance beginning of year	Fund balance end of year
Statement of revenues, expenditures and changes in fund balance	$ 1,479,641	$ 1,398,711	$ -	$ 898,305	$ 985,722
Non-maintenance and operation activity include in the General Fund	(92,931)	(49,321)	-	(154,132)	(197,742)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	$ 1,386,710	$ 1,349,390	$ -	$ 744,173	$ 787,980

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

Governing Board
Morristown Elementary School District No. 75
Morristown, 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 Morristown Elementary School District No. 75, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise Morristown Elementary School District No. 75's basic financial statements, and have issued our report thereon dated June 17, 2026.

Report on Internal Control Over Financial Reporting

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

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Morristown Elementary School District No. 75’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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

Purpose of this Report

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

Advisent Assurance, LLP

Mesa, Arizona
June 17, 2026