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

ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2025



JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
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YEAR ENDED JUNE 30, 2025

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Governing Board of
Joseph City Unified School District No. 2
Joseph City, 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 Joseph City Unified School District No. 2 (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 Joseph City Unified School District No. 2, 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 issued our report dated March 26, 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
March 26, 2026

REQUIRED SUPPLEMENTARY INFORMATION

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2 MANAGEMENT'S DISCUSSION AND ANALYSIS YEAR ENDED JUNE 30, 2025

As management of the Joseph City Unified School District No. 2 (District), we offer the readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2025.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the District exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$7.3 million (net position). The District's total net position increased by \$25,884.
- At the close of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1.6 million, an increase of \$29,227 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$1.0 million, or 14% of total General Fund expenditures.
- The District's net capital assets decreased by \$0.1 million in the current year.
- The District's long-term liabilities decreased \$0.2 million, or 3% during the current year. The decrease was primarily the result of a decrease in the net pension liability in the current year due to changes within the actuarial valuation, as well as scheduled principal payments.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

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

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

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 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 eleven 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, the Classroom Site Fund, the and the School Facilities Board Grant Fund, the three of which are considered to be major funds. Data from the other eight 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 on pages 19 - 22 of this report.

Notes to the Basic Financial Statements

The notes to the 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 the basic financial statements can be found on pages 24 - 40 of this report.

Required Supplementary Information Other than MD&A

The District reports a multi-year schedule of the District's proportionate share of net pension liability and contributions to its cost-sharing pension plan on page 42.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Required Supplementary Information Other than MD&A (Continued)

Governments have the option of presenting the General Fund and major special revenue budgetary statements as part of the basic financial statements or as required supplementary information (RSI) other than the MD&A. The District has elected to present the General Fund, Classroom Site Fund, and Special Projects Fund budgetary comparison schedules as RSI other than the MD&A which can be found starting on page 43. 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 \$7.3 million at the close of the most recent fiscal year.

A summary of the District's *Statement of Net Position* is presented below:

	Governmental Activities		
	2023	2024	Net Change
ASSETS			
Current and other assets	\$ 1,975,652	\$ 1,934,813	\$ 40,839
Capital assets	9,847,286	9,980,903	(133,617)
Total Assets	11,822,938	11,915,716	(92,778)
DEFERRED OUTFLOWS	672,544	658,723	13,821
Total Assets and Deferred Outflows	12,495,482	12,574,439	(78,957)
LIABILITIES			
Current liabilities	153,930	158,007	(4,077)
Long-term liabilities	4,728,159	4,894,663	(166,504)
Total Liabilities	4,882,089	5,052,670	(170,581)
DEFERRED INFLOWS	345,962	280,222	65,740
Total Liabilities and Deferred Inflows	5,228,051	5,332,892	(104,841)
NET POSITION			
Net investment in capital assets	9,242,296	9,261,893	(19,597)
Restricted	1,415,140	1,796,638	(381,498)
Unrestricted	(3,390,005)	(3,816,984)	426,979
Total Net Position	\$ 7,267,431	\$ 7,241,547	\$ 25,884

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Government-Wide Financial Analysis (Continued)

By far the largest portion of the District's net position reflects its net investment in capital assets (e.g., land, construction in progress, land improvements, buildings and building improvements, vehicles, equipment, and furniture), 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 net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of the District's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the District's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the District was able to report positive balances in the net investment in capital assets and restricted net position. The District reported a negative balance in unrestricted net position due to the District's reporting of its proportionate share of the net pension liability for its cost-sharing pension plan required under Governmental Accounting Standards Board (GASB) Statement No. 68. Additional information on the District's net pension liability can be found in Note 12 of this report.

Overall, net position increased less than 1%. Key elements of this increase are indicated as follows:

	Governmental Activities		
	2025	2024	Net Change
REVENUES			
Program revenues:			
Charges for services	\$ 327,528	\$ 398,855	\$ (71,327)
Operating grants and contributions	1,429,229	1,988,435	(559,206)
Capital grants and contributions	519,938	454,254	65,684
General revenues:			
Property taxes	4,532,218	4,699,068	(166,850)
State equalization and additional state aid	1,378,410	1,067,158	311,252
Federal aid unrestricted	344,971	40,399	304,572
County equalization	29	78	(49)
Interest and other	167,873	54,620	113,253
Total Revenues	8,700,196	8,702,867	(2,671)
EXPENSES			
Instruction	3,500,867	3,606,874	(106,007)
Support Services:			
Students and instructional staff	1,214,203	1,103,812	110,391
Administration	1,145,594	1,359,219	(213,625)
Operation and maintenance of plant	1,796,854	1,695,165	101,689
Operation of noninstructional services	469,745	418,483	51,262
Student transportation	522,533	468,709	53,824
Interest on long-term debt	24,516	28,803	(4,287)
Total Expenses	8,674,312	8,681,065	(6,753)
Change in net position	25,884	21,802	4,082
Net Position - Beginning	7,241,547	7,219,745	21,802
Net Position - Ending	\$ 7,267,431	\$ 7,241,547	\$ 25,884

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Program Revenues

The District reported a decrease of 18% in charges for services which was due to decreases in food service sales.

Operating grants and contributions decreased \$0.6 million (28%) due to decreases in federal COVID relief funding.

Capital grants and contributions increased \$0.1 million due to the increase in School Facilities Division projects in the current year.

General Revenues

The District experienced a 4% decrease in property tax revenue as a result of a decrease in the tax levy and property values.

State equalization and additional state aid increased \$0.3 million (29%) due to increases in the state funding formula.

Unrestricted federal aid increased slightly by \$0.3 million, due to the Environmental Protection Agency Clean Bus Rebate received for the purchase of a new school bus.

Interest and other income increased \$0.1 million (207%) due to increases in returns on investments held with the county treasurer.

The District's expenses in the current year were within less than 1% of the prior year. The District's mission is to provide an appropriate and outstanding educational experience for every student served within budget constraints.

FINANCIAL ANALYSIS OF THE GOVERNMENTAL FUNDS

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

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

As of the end of the current fiscal year, the District's governmental funds reported combined ending fund balances of \$1.6 million, an increase of \$29,227 in comparison with the prior year. Approximately 23% of this total amount (\$0.4 million) constitutes unassigned fund balance, which is available for spending at the government's discretion. The remaining fund balance is restricted to indicate that it is not available for new spending.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

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

GOVERNMENTAL FUND	Balance	Increase (Decrease) From 2023-24
General Fund	\$ 963,265	\$ (90,786)
Classroom Site Fund	789,663	(125,276)
School Facilities Board Grant Fund	(549,834)	519,938
Nonmajor Governmental Funds	435,943	(274,649)
Total Governmental Fund Balances	<u>\$ 1,639,037</u>	<u>\$ 29,227</u>

The General Fund continues to experience a negative net change in fund balance. For the fiscal year ended June 30, 2025 the General Fund had a decrease in fund balance of \$0.1 million. This decrease is due to increases in salaries and benefits expenditures, as well as inflation and other costs in the current year.

The decrease of \$0.1 million in Classroom Site Fund was due to increases in teacher compensation.

The increase of \$0.5 million in the School Facilities Board Grant Fund was due to the receipt of Building Renewal Grant revenues in the current year for prior year expenditures.

Nonmajor Governmental Funds decreased by \$0.3 million due to increases in CTED spending.

GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget totaled \$0.1 million. In Arizona, school districts build their original “adopted” budget based on a projection of the coming fiscal year’s 100th day average daily attendance. In May, the District is allowed to increase or decrease its budget for differences between expected and actual student growth. The budget increase was allocated among the operations and maintenance of plant in regular education. Budgetary basis General Fund expenditures were \$16,842 less than budget during the fiscal year. Budgetary basis expenditures were within less than 1% of budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The District’s investment in capital assets for its governmental activities as of June 30, 2025, amounts to \$9.8 million (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings and improvements, vehicles, furniture, and equipment. The net decrease in the District’s investment in capital assets for the current fiscal year was \$0.1 million due to depreciation expense exceeding current year additions.

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

Capital Assets (Continued)

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

- Security camera system
- Playground equipment
- School buses
- Boiler replacement
- New bleachers

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

Capital asset activity as of June 30, 2025 is summarized below:

	Governmental Activities		
	2025	2024	Net Change
CAPITAL ASSETS			
Land	\$ 22,800	\$ 22,800	\$ -
Construction in progress	41,082	41,082	-
Land improvements	81,725	73,287	8,438
Buildings & improvements	7,972,906	8,511,949	(539,043)
Vehicles, equipment, and furniture	1,728,773	1,331,785	396,988
Total Capital Assets	\$ 9,847,286	\$ 9,980,903	\$ (133,617)

Long-Term Debt

At end of the current fiscal year, the District's debt included financed purchases, compensated absences, and the net pension/OPEB liabilities. Financed purchase decreased \$0.1 million due to the scheduled payment made during the fiscal year. The changes in compensated absences and the net OPEB liability were not considered significant. The net pension liability decreased \$0.1 million due to various changes and assumptions made within the actuarial valuation as explained in Note 12 of this report.

The change in the long-term liabilities are as follows:

	Governmental Activities		
	2025	2024	Net Change
LONG-TERM LIABILITIES			
Financed purchase	\$ 604,990	\$ 719,010	\$ (114,020)
Compensated absences	90,145	110,892	(20,747)
Net pension liability	4,032,379	4,061,543	(29,164)
Net OPEB liability	645	3,218	(2,573)
Total Long-term Liabilities	\$ 4,728,159	\$ 4,894,663	\$ (166,504)

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2025**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- The completion of COVID relief funding in fiscal year 2024-2025.
- Inflationary factors and increases in operating expenses.
- Stable enrollment.

The above factors were considered in preparing the District's budget for the 2025-2026 fiscal year.

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, contact the Fiscal Services Department, Joseph City Unified School District No. 2, 8176 North Westover, Joseph City, Arizona 86032. More information about the District can be found on the District's website at www.jcusd.org.

BASIC FINANCIAL STATEMENTS

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
STATEMENT OF NET POSITION
JUNE 30, 2025

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,099,601
Property taxes receivable	41,831
Intergovernmental receivable	661,826
Accounts receivable	24,600
Net OPEB asset	147,794
Capital assets, not depreciated	63,882
Capital assets, net of accumulated depreciation	9,783,404
Total Assets	11,822,938
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pensions	655,804
Deferred outflows related to OPEB	16,740
Total Deferred Outflows of Resources	672,544
LIABILITIES	
Accounts payable	99,831
Accrued wages and benefits	54,099
Long-term liabilities:	
Due within one year	130,053
Due in more than one year	4,598,106
Total Liabilities	4,882,089
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	288,714
Deferred inflows related to OPEB	57,248
Total Deferred Inflows of Resources	345,962
NET POSITION	
Net investment in capital assets	9,242,296
Restricted:	
Net OPEB asset	147,794
Teacher compensation and other qualified programs (A.R.S. 15-977)	789,663
Instructional improvement programs	93,731
Federal and state instructional programs	76,862
Community programs	15,982
Vocational educational programs	9,445
Insurance refund	53,464
Student activities	41,347
Capital projects	186,836
Debt service	16
Unrestricted	(3,390,005)
Total Net Position	\$ 7,267,431

See accompanying Notes to the Basic Financial Statements

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2025

Function/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Instruction	\$ 3,500,867	\$ 133,240	725,551	\$ -	\$ (2,642,076)
Support services:					
Students	834,394	37,975	196,694	-	(599,725)
Instructional staff	379,809	7,984	35,829	-	(335,996)
General administration	199,020	4,418	1,460	-	(193,142)
School administration	243,277	5,400	1,784	-	(236,093)
Business and other support services	703,297	13,541	84,952	-	(604,804)
Operation and maintenance of plant	1,796,854	36,851	47,367	519,938	(1,192,698)
Student transportation	522,533	34,191	141,520	-	(346,822)
Operation of noninstructional services	469,745	53,928	194,072	-	(221,745)
Interest on long-term debt	24,516	-	-	-	(24,516)
Total	\$ 8,674,312	\$ 327,528	\$ 1,429,229	\$ 519,938	(6,397,617)
General revenues:					
Property taxes					4,532,218
Grants and contributions not restricted to specific programs:					
State equalization and additional state aid					1,378,410
County equalization					29
Federal aid not restricted					344,971
Investment earnings (loss)					17,492
Other					150,381
Total general revenues					6,423,501
Change in net position					25,884
Net position - beginning					7,241,547
Net position - ending					\$ 7,267,431

See accompanying Notes to the Basic Financial Statements

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2025

	General Fund	Classroom Site Fund	School Facilities Board Grant Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 107,237	\$ 567,931	\$ -	\$ 424,433	\$ 1,099,601
Receivables:					
Property taxes	41,831	-	-	24,600	66,431
Intergovernmental	539,657	-	15,908	106,261	661,826
Due from other funds	409,897	229,069	-	-	638,966
Total Assets	\$ 1,098,622	\$ 797,000	\$ 15,908	\$ 555,294	\$ 2,466,824
LIABILITIES					
Accounts payable	\$ 53,467	\$ 250	\$ -	\$ 46,114	\$ 99,831
Accrued wages	46,999	7,087	-	13	54,099
Due to other funds	-	-	565,742	73,224	638,966
Total Liabilities	100,466	7,337	565,742	119,351	792,896
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	34,891	-	-	-	34,891
FUND BALANCES					
Restricted	-	789,663	-	477,683	1,267,346
Unassigned	963,265	-	(549,834)	(41,740)	371,691
Total Fund Balances	963,265	789,663	(549,834)	435,943	1,639,037
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 1,098,622	\$ 797,000	\$ 15,908	\$ 555,294	\$ 2,466,824

See accompanying Notes to the Basic Financial Statements

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL
FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2025**

Total Fund Balance - Governmental Funds \$ 1,639,037

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	\$ 30,981,056	
Accumulated depreciation	<u>(21,133,770)</u>	9,847,286

Property tax revenue not collected within 60 days subsequent to fiscal year end are reported as deferred inflows of resources in the governmental funds: 34,891

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:

147,794

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:

Financed purchase liability	(604,990)	
Net pension liability	(4,032,379)	
Net OPEB liability	(645)	
Compensated absences	<u>(90,145)</u>	(4,728,159)

Deferred outflows and inflows of resources relating to pensions:

In governmental funds, deferred outflows and inflows of resources relating to pensions 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 are reported:

Deferred outflows of resources relating to pensions	655,804	
Deferred inflows of resources relating to pensions	(288,714)	
Deferred outflows of resources relating to OPEB ASRS	16,740	
Deferred inflows of resources relating to OPEB ASRS	<u>(57,248)</u>	326,582

Total Net Position - Governmental Activities \$ 7,267,431

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2025**

	General Fund	Classroom Site Fund	School Facilities Board Grant Fund	Formerly Major Special Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES						
Property taxes	\$ 4,486,456	\$ -	\$ -		\$ 48,500	\$ 4,534,956
Intergovernmental	1,723,410	461,030	519,938		918,243	3,622,621
Tuition	-	-	-		61,252	61,252
Charges for services	-	-	-		14,114	14,114
Food sales	-	-	-		49,223	49,223
Auxiliary operations	145,768	-	-		-	145,768
Student activities	-	-	-		43,078	43,078
Contributions and donations	48,961	-	-		15,088	64,049
Investment earnings (loss)	16,532	-	-		960	17,492
Other	150,331	-	-		50	150,381
Total Revenues	6,571,458	461,030	519,938		1,150,508	8,702,934
EXPENDITURES						
Current						
Instruction	2,292,986	453,121	-		565,527	3,311,634
Support services:						
Students	534,432	125,663	-		191,867	851,962
Instructional staff	342,988	7,522	-		28,291	378,801
General administration	198,974	-	-		-	198,974
School administration	243,192	-	-		-	243,192
Business and other support services	606,835	-	-		80,395	687,230
Operations and maintenance of plant	1,336,841	-	-		64,439	1,401,280
Student transportation	792,481	-	-		179,834	972,315
Operations of noninstructional services	188,951	-	-		250,139	439,090
Debt service:						
Principal	85,033	-	-		29,353	114,386
Interest and fiscal charges	24,516	-	-		-	24,516
Capital outlay:						
Facilities acquisition	26,791	-	-		23,536	50,327
Total Expenditures	6,674,020	586,306	-		1,413,381	8,673,707
Excess (Deficiency) of Revenues Over Expenditures	(102,562)	(125,276)	519,938		(262,873)	29,227
Other Financing Sources (Uses)						
Transfers in	11,776	-	-		-	11,776
Transfers out	-	-	-		(11,776)	(11,776)
Net Financing Sources (Uses)	11,776	-	-		(11,776)	-
NET CHANGE IN FUND BALANCE	(90,786)	(125,276)	519,938		(274,649)	29,227
Fund Balance - July 1, 2024	1,054,051	914,939	(1,069,772)	86,175	624,417	1,609,810
Aggregate amount of adjustments to and restatements of beginning fund balances				(86,175)	86,175	
Fund Balance - July 1, 2024, as restated	1,054,051	914,939	(1,069,772)		710,592	1,609,810
Fund Balance - Ending	\$ 963,265	\$ 789,663	\$ (549,834)		\$ 435,943	\$ 1,639,037

See accompanying Notes to the Basic Financial Statements

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
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 \$ 29,227

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	\$ 771,713	
Depreciation expense	<u>(905,330)</u>	(133,617)

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	(2,738)
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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	420,337	
Pension expense	(448,001)	
OPEB contributions	7,357	
OPEB expense	<u>18,552</u>	(1,755)

The repayment of principal of long-term debt consumes the current financial resources of governmental funds. The transaction, however, has no effect on net position. The repayment of principal on long-term debt reduces long-term debt on the *Statement of Net Position*.

Principal payment on financed purchases	114,020
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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.

Change in compensated absences	<u>20,747</u>
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Change in Net Position of Governmental Activities **\$ 25,884**

NOTES TO BASIC FINANCIAL STATEMENTS

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements of the Joseph City Unified School District No. 2 (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.

During the current fiscal year, the District implemented the effects of GASB Statement No. 101, *Compensated Absences*. The effects of this statement can be found within the Compensated Absences section within Note 1, along with the long-term liabilities section.

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. 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.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. 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.

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.

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.

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 *Classroom Site Fund* accounts for the revenues and expenditures of State apportioned educational sales tax monies.

The *School Facilities Board Grant Fund* accounts for building renewal grant monies requested from the Arizona Department of Administration's School Facilities Division that are used for infrastructure or for major upgrades, repairs, or renovations to areas, systems, or buildings that will maintain or extend their useful life.

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.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deposits and Investments (Continued)

A.R.S. authorize the District to invest public monies in the State and County Treasurer’s investment pools; U.S. Treasury obligations; specified state and local government bonds; and interest-earning investment contracts such as savings accounts, certificates of deposit, and repurchase agreements in eligible depositories. Statute authorizes the District to deposit monies for Auxiliary Operations and Student Activities in bank accounts. Monies in these funds may also be invested. In addition, statute authorizes the District to maintain various bank accounts such as clearing accounts to temporarily deposit receipts before they are transmitted to the County Treasurer; revolving accounts to pay minor disbursements; and withholding accounts for taxes, employee insurance programs, and federal savings bonds. Some of these bank accounts may be interest bearing.

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

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

Property Taxes Receivables

The Navajo County Treasurer is responsible for collecting property taxes for all governmental entities within the County. The County levies real and personal property taxes on or before the third Monday in August that become due and payable in two equal installments. The first installment is due on the first day of October and becomes delinquent after the first business day of November. The second installment is due on the first day of March of the next year and becomes delinquent after the first business day of May. A lien assessed against real and personal property attaches on the first day of January preceding assessment and levy.

Intergovernmental Receivable

Intergovernmental receivables are comprised of State Aid (\$539,657). Instructional Improvement funding (\$15,131), CTED funding (\$16,353), federal grants (\$74,777), and Building Renewal Grant (\$15,908).

Capital Assets

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

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

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital Assets

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

<u>Asset Class</u>	<u>Years</u>
Land improvements	5 - 50 years
Building and improvements	2 - 50 years
Vehicles, equipment, and furniture	5 - 20 years

Deferred Outflows

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.

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.

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*. In the fund financial statements, the issuance of debt is recorded as other financing source.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Estimates

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

Net Position

In the government-wide financial statements, net position is reported in three categories: net investment in capital assets; restricted net position; and unrestricted net position. The net investment in capital assets is separately reported because the District's capital assets make up a significant portion of total net position. Restricted net position accounts 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's 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.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund Balance (Continued)

The District has classified its fund balances as follows:

	General Fund	Classroom Site Fund	School Facilities Board Grant Fund	Non-Major Governmental Funds	Total Governmental Activities
Restricted					
Teacher compensation and other qualified programs (A.R.S. 15-977)	\$ -	\$ 789,663	\$ -	\$ -	\$ 789,663
Instructional improvement programs	-	-	-	93,731	93,731
Federal and state instructional programs	-	-	-	76,862	76,862
Community programs	-	-	-	15,982	15,982
Vocational educational programs	-	-	-	9,445	9,445
Extracurricular activities	-	-	-	53,464	53,464
Student activities	-	-	-	41,347	41,347
Capital projects	-	-	-	186,836	186,836
Debt service	-	-	-	16	16
Total restricted	-	789,663	-	477,683	1,267,346
Unassigned	963,265	-	(549,834)	(41,740)	371,691
Total	\$ 963,265	\$ 789,663	\$ (549,834)	\$ 435,943	\$ 1,639,037

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.

The District exceeded its budget in the Special Education and Pupil Transportation subsections of the General Fund by \$30,662 and \$92,003, respectively. Budget capacity was available in other subsections to cover the overage.

Deficit Fund Balances

The District reported deficit fund balances of \$549,834 and \$41,740 within the School Facilities Board Grant Fund and Nonmajor Governmental Fund Emergency Deficiencies Correction Fund, respectively. The District had positive balances in other funds to offset the deficit balances. The District is expecting state revenues to be deposited in future periods to offset the deficits that were reported.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 3 – DEPOSITS AND INVESTMENTS

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

Deposits:		
Cash in bank	\$	202,980
Investments:		
Cash on deposit with county treasurer		896,621
Total deposits and investments	\$	<u>1,099,601</u>

Deposits

Custodial Credit Risk – This is the risk that, in the event of a failure by a counterparty, the District will not be able to recover its deposits or collateralized securities that are in the possession of an outside party. The District had a carrying value of \$202,980 for cash on deposit with a local financial institution and a bank balance of \$239,809 at June 30, 2025. The District does not have a formal policy regarding custodial credit risk. However, of the bank balance, the entire balance was insured 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.

NOTE 4 – UNAVAILABLE REVENUES

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 fiscal year-end, the District reported \$34,891 of unavailable revenue within the General Fund related to delinquent property taxes.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 5 – CAPITAL ASSETS

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

	Balance		Balance	
	July 01, 2024	Additions	Deductions	June 30, 2025
Capital assets not being depreciated				
Land	\$ 22,800	\$ -	\$ -	\$ 22,800
Construction in progress	41,082	-	-	41,082
Total capital assets not being depreciated	<u>63,882</u>	<u>-</u>	<u>-</u>	<u>63,882</u>
Capital assets being depreciated				
Land improvements	1,892,725	17,624	-	1,910,349
Buildings and improvements	24,222,272	109,776	-	24,332,048
Vehicles, equipment, and furniture	4,041,286	644,313	(10,822)	4,674,777
Total capital assets being depreciated	<u>30,156,283</u>	<u>771,713</u>	<u>(10,822)</u>	<u>30,917,174</u>
Less accumulated depreciation				
Land improvements	(1,819,438)	(9,186)	-	(1,828,624)
Buildings and improvements	(15,710,323)	(648,819)	-	(16,359,142)
Vehicles, equipment, and furniture	(2,709,501)	(247,325)	10,822	(2,946,004)
Total accumulated depreciation	<u>(20,239,262)</u>	<u>(905,330)</u>	<u>10,822</u>	<u>(21,133,770)</u>
Total capital assets, being depreciated, net	<u>9,917,021</u>	<u>(133,617)</u>	<u>-</u>	<u>9,783,404</u>
Governmental activities capital assets, net	<u>\$ 9,980,903</u>	<u>\$ (133,617)</u>	<u>\$ -</u>	<u>\$ 9,847,286</u>

Depreciation expenses was charged to governmental functions as follows:

Governmental Activities:	
Instruction	\$ 239,893
Support Services:	
Students	1,689
Instructional Staff	913
Business and Other Support Services	15,930
Operations and Maintenance of Plant	512,671
Student Transportation	103,585
Operation of Noninstructional Services	30,649
	<u>\$ 905,330</u>

As of June 30, 2025, the District did not report any construction commitments. Projects were in the assessment and planning stage.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 6 – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2025, consisted of the following:

	<u>Transfer from</u>
	Special
<u>Transfer to</u>	<u>Projects Fund</u>
General Fund	\$ 11,776

Transfers were made to record indirect costs transferred to the indirect cost pool for various federal grants.

NOTE 7 – INTERFUND RECEIVABLE AND PAYABLES

As of June 30, 2025, interfund receivables and payables were as follows:

	<u>Due from other funds</u>		
	General Fund	Classroom Site Fund	Total
<u>Due to other funds</u>			
School Facilities Board Grant Fund	\$ 409,897	\$ 155,845	\$ 565,742
Nonmajor Governmental Funds	-	73,224	73,224
Total	<u>\$ 409,897</u>	<u>\$ 229,069</u>	<u>\$ 638,966</u>

The above interfund receivable and payable are due to cash shortfalls on June 30, 2025. Cash will be received subsequent to June 30, 2025, to repay the short-term borrowings.

NOTE 8 – LINE OF CREDIT

The line of credit balance is maintained by the Navajo County Treasurer and is a short-term borrowing used by the District to provide cash flows for District operations until tax revenues are received. The interest rate was calculated using the average investment portfolio rate at the Treasurer. The following is a summary of the current year line of credit activity:

	Balance			Balance
	July 01, 2024	Increases	Decreases	June 30, 2025
Line of credit	\$ -	\$ 2,600,000	\$ (2,600,000)	\$ -

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 9 – LONG-TERM OBLIGATIONS

Compensated Absences

Compensated absences are paid from various funds in the same proportion that those funds pay payroll costs. During fiscal year ended June 30, 2025, the District paid for compensated absences from the General Fund.

Financed Purchases

The District entered financed agreements for energy saving equipment with a total purchase price of \$1,513,615. The financed purchase carried an interest rate of 3.06% per annum and will be paid off through March 1, 2030.

The following schedule details debt service requirements to maturity for the District’s financed purchases on June 30, 2025.

Year ended, June 30,	Governmental Activities	
	Principal	Interest
2026	\$ 121,038	\$ 20,713
2027	128,424	16,290
2028	136,195	11,598
2029	144,370	6,623
2030	74,963	1,349
Total	\$ 604,990	\$ 56,573

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

	Balance July 01, 2024	Additions	Deductions	Balance June 30, 2025	Due Within One Year
Financed purchases	\$ 719,010	\$ -	\$ (114,020)	\$ 604,990	\$ 121,038
Compensated absences	110,892	-	(20,747)	90,145	9,015
Net pension liability	4,061,543	-	(29,164)	4,032,379	-
Net OPEB liability	3,218	(2,573)	-	645	-
Total	\$ 4,894,663	\$ (2,573)	\$ (163,931)	\$ 4,728,159	\$ 130,053

NOTE 10 – 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.

Arbitrage – Under the Tax Reform Act of 1986, interest earned on the debt proceeds in excess of interest expense or expenditure prior to the disbursement of the proceeds must be rebated to the Internal Revenue Service (IRS). Management believes there is no tax arbitrage rebate liability at year end.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 10 – CONTINGENT LIABILITIES (CONTINUED)

Federal grants – In the normal course of operations, the District receives grant funds from various federal agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as the result of audits of grant funds is not believed by District officials to be material.

Litigation Yearly, the District receives notices of claims for damages occurring generally from negligence, bodily injury, breach of contract, and other legal matters. The filing of such claims commences a statutory period for initiating a lawsuit against the District arising therefrom. The District has comprehensive general liability insurance with the ASRRT. The District is not aware of any litigation that might result in a materially adverse outcome.

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

NOTE 11 – 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.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS

Cost Sharing Pension Plan

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

	Pensions	OPEB
Net assets	\$ -	\$ 147,794
Net liability	4,032,379	645
Deferred outflows of resources	655,804	16,740
Deferred inflows of resources	288,714	57,248
Expense (Income)	448,001	(18,552)
Contributions	420,337	7,357

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.*

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS 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 \$420,337, \$2,442, and \$4,915.

During fiscal year 2025, the District paid for pension and OPEB contributions as follows: 77% from the General Fund, 11% from Classroom Site Fund, and 12% from nonmajor governmental funds.

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Arizona State Retirement System (Continued)

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:

	Net (Assets) Liability	District % Proportion	Increase (Decrease)
Pension	\$ 4,032,379	0.02510%	-0.00069%
Health insurance premium benefit	(147,794)	0.02396%	-0.00083%
Long-term disability	645	0.02456%	-0.00076%

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:

	Pension/OPEB Expense (Income)
Pension	\$ 448,001
Health insurance premium benefit	(21,418)
Long-term disability	2,866
Total Pension/OPEB expense:	<u>\$ 429,449</u>

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS PLANS (CONTINUED)

Arizona State Retirement System (Continued)

Deferred Outflows/Inflows of Resources

On June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions and OPEB from the following sources:

	Deferred Outflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ 225,084	\$ 4,277	\$ 2,371
Changes of assumptions or other inputs	-	-	467
Changes in proportion and differences between contributions and proportionate share of contributions	10,383	1,444	824
Contributions subsequent to the measurement date	420,337	2,442	4,915
Total	<u>\$ 655,804</u>	<u>\$ 8,163</u>	<u>\$ 8,577</u>

	Deferred Inflows of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
Differences between expected and actual experience	\$ -	\$ 35,687	\$ 1,718
Changes of assumptions or other inputs	-	1,533	3,861
Net difference between projected and actual earnings on pension plan investments	257,512	10,159	704
Changes in proportion and differences between contributions and proportionate share of contributions	31,202	2,705	881
Total	<u>\$ 288,714</u>	<u>\$ 50,084</u>	<u>\$ 7,164</u>

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

Year Ending June 30:	Deferred Outflows (Inflows) of Resources		
	Pension	Health Insurance Premium Benefit	Long-Term Disability
2026	(142,978)	(27,761)	\$ (1,176)
2027	202,172	(6,700)	(190)
2028	(65,185)	(6,335)	(1,096)
2029	(47,256)	(2,940)	(976)
2030	-	(627)	(331)
Thereafter	-	-	267
Total	<u>\$ (53,247)</u>	<u>\$ (44,363)</u>	<u>\$ (3,502)</u>

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS 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%	

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 12 – PENSION AND OTHER POSTEMPLOYMENT BENEFITS 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 liability.

Sensitivity of the District’s Proportionate Share of the ASRS Net Pension Liability to Changes in the Discount Rate

The following table presents the District’s proportionate share of the net pension liability calculated using the discount rate of 7.0%, 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.

	<u>Proportionate share of the net liability (asset)</u>		
	Current		
	1% Decrease (6.00%)	Discount Rate (7.00%)	1% Increase (8.00%)
Pension	\$ 6,174,397	\$ 4,032,379	\$ 2,247,194
Health insurance premium benefit	(107,445)	(147,794)	(182,099)
Long-term disability	2,219	645	(904)

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 \$2,573 of outstanding pension and OPEB contributions payable to ASRS for the year ended June 30, 2025.

**REQUIRED SUPPLEMENTARY INFORMATION
OTHER THAN MD&A**

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF NET PENSION LIABILITY AND CONTRIBUTIONS
COST SHARING PENSION PLAN
JUNE 30, 2025

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	0.02520%	0.02510%	0.02000%	0.02000%	0.02000%	0.03000%	0.03000%	0.03000%	0.03000%	0.03000%
Proportionate share of the net pension liability	\$ 4,032,379	\$ 4,061,543	\$ 4,209,501	\$ 3,052,319	\$ 4,234,601	\$ 3,784,758	\$ 3,658,162	\$ 4,115,721	\$ 4,269,296	\$ 4,059,595
Covered payroll	\$ 3,919,980	\$ 3,922,677	\$ 3,323,796	\$ 2,837,675	\$ 2,779,630	\$ 2,837,486	\$ 2,777,201	\$ 2,760,379	\$ 2,683,100	\$ 2,608,341
Proportionate share of the net pension liability as a percentage of its covered payroll	102.87%	103.54%	126.65%	107.56%	152.34%	133.38%	131.72%	149.10%	159.12%	155.64%
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	\$ 420,337	\$ 423,930	\$ 390,573	\$ 363,655	\$ 304,685	\$ 302,763	\$ 307,356	\$ 283,915	\$ 278,564	\$ 269,015
Contributions in relation to the actuarially determined contribution	420,337	423,930	390,573	363,655	304,685	302,763	307,356	283,915	278,564	269,015
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered payroll	\$ 3,946,774	\$ 3,919,980	\$ 3,922,677	\$ 3,323,796	\$ 2,837,675	\$ 2,779,630	\$ 2,837,486	\$ 2,777,201	\$ 2,760,379	\$ 2,683,100
Contributions as a percentage of covered payroll	10.65%	10.81%	9.96%	10.94%	10.74%	10.89%	10.83%	10.22%	10.09%	10.03%

See accompanying Notes to Required Supplementary Information

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL GENERAL FUND – BUDGETARY BASIS
YEAR ENDED JUNE 30, 2025

	Budgeted Amounts		Actual Budgetary Basis	Variances - Final to Actual
	Original	Final		
REVENUES				
Property taxes	\$ -	\$ -	\$ 4,225,356	\$ 4,225,356
Intergovernmental	-	-	1,329,411	1,329,411
Investment earnings	-	-	16,514	16,514
Other	-	-	1,957	1,957
Total Revenues	-	-	5,573,238	5,573,238
EXPENDITURES				
Regular education:				
Instruction	1,739,662	1,767,462	1,324,326	443,136
Support services - students	241,568	293,750	205,382	88,368
Support services - instructional staff	204,296	230,754	243,949	(13,195)
Support services - general administration	163,150	98,548	195,420	(96,872)
Support services - school administration	263,090	199,834	243,192	(43,358)
Support services - central services	362,228	421,435	387,044	34,391
Operations and maintenance of plant	1,043,471	1,141,254	1,300,272	(159,018)
Operation of noninstructional services	12,084	10,500	9,496	1,004
School-sponsored cocurricular activities	32,897	29,910	45,683	(15,773)
School-sponsored athletics	152,158	145,962	227,451	(81,489)
Other programs	20,443	21,151	39,819	(18,668)
Total regular education	4,235,047	4,360,560	4,222,034	138,526
Special education:				
Instruction	360,424	360,424	451,997	(91,573)
Support services - students	276,617	276,617	212,195	64,422
Support services - instructional staff	27,502	27,502	30,939	(3,437)
Support services - central services	1,058	1,058	1,132	(74)
Total special education	665,601	665,601	696,263	(30,662)
Pupil transportation:				
Student transportation services	321,486	321,486	413,489	(92,003)
K-3 reading program:				
Instruction	18,387	18,387	17,406	981
Total Expenditures	5,240,521	5,366,034	5,349,192	16,842
Excess (Deficiency) of Revenues Over Expenditures	(5,240,521)	(5,366,034)	224,046	5,590,080
Fund Balance - Beginning	-	-	109,363	109,363
Fund Balance - Ending	\$ (5,240,521)	\$ (5,366,034)	\$ 333,409	\$ 5,699,443

See accompanying Notes to Required Supplementary Information

**JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL CLASSROOM SITE FUND
YEAR ENDED JUNE 30, 2025**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances - Final to Actual</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 461,030	\$ 461,030
EXPENDITURES				
Regular education:				
Instruction	1,076,813	1,049,165	446,377	602,788
Support services - students	194,587	189,590	80,663	108,927
Support services - instructional staff	15,200	14,810	6,301	8,509
School sponsored athletics	415	404	172	232
Total regular education	<u>1,287,015</u>	<u>1,253,969</u>	<u>533,513</u>	<u>720,456</u>
Special education:				
Instruction	15,854	15,447	6,572	8,875
Support services - students	108,555	105,768	45,000	60,768
Support services - instructional staff	2,945	2,870	1,221	1,649
Total special education	<u>127,354</u>	<u>124,085</u>	<u>52,793</u>	<u>71,292</u>
Total Expenditures	<u>1,414,369</u>	<u>1,378,054</u>	<u>586,306</u>	<u>791,748</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,414,369)	(1,378,054)	(125,276)	1,252,778
Fund Balance - Beginning	-	-	914,939	914,939
Fund Balance - Ending	<u>\$ (1,414,369)</u>	<u>\$ (1,378,054)</u>	<u>\$ 789,663</u>	<u>\$ 2,167,717</u>

See accompanying Notes to Required Supplementary Information

JOSEPH CITY UNIFIED SCHOOL DISTRICT NO. 2
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2025

NOTE 1 – BUDGETARY BASIS OF ACCOUNTING

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

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

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

	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	\$ 6,571,458	\$ 6,674,020	\$ 11,776	\$ 1,054,051	\$ 963,265
Non-maintenance and operation activity included in the General Fund	(998,220)	(1,324,828)	(11,776)	(944,688)	(629,856)
Schedule of revenues, expenditures, and changes in fund balance - budget to actual	<u>\$ 5,573,238</u>	<u>\$ 5,349,192</u>	<u>\$ -</u>	<u>\$ 109,363</u>	<u>\$ 333,409</u>